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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 2023**

**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 2023, with the comparatives of the corresponding period in 2022, as follows:



# 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)

### Consolidated Balance Sheet-unaudited

As at 30 June 2023

(Expressed in Renminbi Yuan)

	Note	As at 30 June 2023	As at 31 December 2022
<b>Assets</b>			
<b>Current assets:</b>			
Cash at bank and on hand	V. 1	205,381,568.91	234,342,437.81
Financial assets held for trading	V. 2	890,640,054.65	581,808,314.35
Bills receivable	V. 3	233,227.50	4,662,800.00
Accounts receivable	V. 4	199,364,929.42	220,436,835.87
Prepayments	V. 5	19,806,092.05	619,044.11
Other receivables	V. 6	811,779.05	26,795,468.30
Inventories	V. 7	266,991,857.04	550,820,147.00
Other current assets	V. 8	243,678,031.01	202,391,536.17
<b>Total current assets</b>		<b>1,826,907,539.63</b>	<b>1,821,876,583.61</b>
<b>Non-current assets:</b>			
Long-term equity investment	V. 9	12,019,936.57	11,927,635.75
Other non-current financial assets	V. 10	632,803.57	6,000,000.00
Fixed assets	V. 11	723,375,129.33	674,782,397.88
Construction in progress	V. 12	2,627,786.71	56,637.17
Intangible assets	V. 13	93,707,320.64	88,963,083.71
Goodwill	V. 14	5,586,976.43	5,586,976.43
Deferred income tax assets	V. 15	-	-
Other non-current assets	V. 16	9,781,158.02	620,045.30
<b>Total non-current assets</b>		<b>847,731,111.27</b>	<b>787,936,776.24</b>
<b>Total assets</b>		<b>2,674,638,650.90</b>	<b>2,609,813,359.85</b>

(Attached notes to statements are part of the consolidated financial statements)

	Note	As at 30 June 2023	As at 31 December 2022
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term borrowings	V. 17	<b>30,023,671.23</b>	130,089,680.56
Financial liabilities held for trading	V. 18	<b>4,408,000.00</b>	–
Accounts payable	V. 19	<b>61,754,930.92</b>	60,082,606.79
Contract liabilities	V. 20	<b>2,075,265.24</b>	2,750,116.53
Employee benefits payable	V. 21	<b>11,477,952.90</b>	18,099,227.26
Taxes payable	V. 22	<b>19,890,530.44</b>	19,667,063.03
Other payables	V. 23	<b>38,666,025.73</b>	1,485,027.30
Other current liabilities	V. 24	<b>80,501.02</b>	295,231.42
<b>Total current liabilities</b>		<b>168,376,877.48</b>	232,468,952.89
Non-current liabilities:			
Long-term payables	V. 25	<b>1,674,106.50</b>	1,655,590.00
Deferred income	V. 26	<b>7,379,000.00</b>	6,279,000.00
<b>Total non-current liabilities</b>		<b>9,053,106.50</b>	7,934,590.00
<b>Total liabilities</b>		<b>177,429,983.98</b>	240,403,542.89
Shareholders' equity:			
Share capital	V. 27	<b>357,700,000.00</b>	357,700,000.00
Capital reserve	V. 28	<b>4,636,889.39</b>	4,636,889.39
Surplus reserve	V. 29	<b>150,715,498.67</b>	150,715,498.67
Retained earnings	V. 30	<b>1,984,156,278.86</b>	1,856,357,428.90
<b>Total equity attributable to shareholders of the Company</b>		<b>2,497,208,666.92</b>	2,369,409,816.96
Non-controlling interests		–	–
<b>Total shareholders' equity</b>		<b>2,497,208,666.92</b>	2,369,409,816.96
<b>Total liabilities and shareholders' equity</b>		<b>2,674,638,650.90</b>	2,609,813,359.85

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

**Company Balance Sheet-unaudited***As at 30 June 2023**(Expressed in Renminbi Yuan)*

	Note	As at 30 June 2023	As at 31 December 2022
<b>Assets</b>			
Current assets:			
Cash at bank and on hand		137,010,835.17	196,613,912.97
Financial assets held for trading		879,114,242.21	570,282,501.91
Bills receivable		233,227.50	4,662,800.00
Accounts receivable	XIII. 1	177,370,938.43	213,705,508.64
Prepayments		12,416,285.92	100,157.21
Other receivables	XIII. 2	88,138,291.05	114,655,303.99
Inventories		20,756,167.89	61,074,150.01
Other current assets		237,117,322.32	198,898,416.91
<b>Total current assets</b>		<b>1,552,157,310.49</b>	<b>1,359,992,751.64</b>
Non-current assets:			
Long-term equity investments	XIII. 3	568,942,158.14	446,342,158.14
Other non-current financial assets		632,803.57	6,000,000.00
Fixed assets		119,408,400.12	114,619,799.95
Intangible assets		25,962,872.15	26,439,501.11
<b>Total non-current assets</b>		<b>714,946,233.98</b>	<b>593,401,459.20</b>
<b>Total assets</b>		<b>2,267,103,544.47</b>	<b>1,953,394,210.84</b>

(Attached notes to statements are part of the consolidated financial statements)

	Note	As at 30 June 2023	As at 31 December 2022
<b>Liabilities and shareholders' equity</b>			
Current liabilities			
Short-term borrowings		30,023,671.23	130,089,680.56
Financial liabilities held for trading		4,408,000.00	–
Accounts payable		77,223,044.89	43,961,307.75
Contract liabilities		1,052,049.03	645,549.92
Employee benefits payable		1,194,824.50	3,064,638.43
Taxes payable		5,435,354.72	2,644,427.60
Other payables		966,041,492.59	604,039,073.11
Other current liabilities		29,422.81	83,921.50
<b>Total current liabilities</b>		<u>1,085,407,859.77</u>	<u>784,528,598.87</u>
Non-current liabilities:			
Deferred income		5,585,000.00	4,485,000.00
<b>Total non-current liabilities</b>		<u>5,585,000.00</u>	<u>4,485,000.00</u>
<b>Total liabilities</b>		<u>1,090,992,859.77</u>	<u>789,013,598.87</u>
Shareholders' equity:			
Share capital		357,700,000.00	357,700,000.00
Capital reserve		30,879,587.24	30,879,587.24
Surplus reserve		150,715,498.67	150,715,498.67
Retained earnings		636,815,598.79	625,085,526.06
<b>Total equity attributable to shareholders of the Company</b>		<u>1,176,110,684.70</u>	<u>1,164,380,611.97</u>
<b>Total liabilities and shareholders' equity</b>		<u>2,267,103,544.47</u>	<u>1,953,394,210.84</u>

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

## Consolidated Income Statement-unaudited

For the six-month period ended 30 June 2023

(Expressed in Renminbi Yuan)

Items	Note	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
<b>I. Operating income</b>	V. 31	<b>497,645,022.49</b>	568,616,090.46
Less: Operating costs	V. 31	<b>339,123,469.52</b>	423,294,033.63
Taxes and surcharges	V. 32	<b>7,296,794.57</b>	7,582,269.42
Selling and distribution expenses	V. 33	<b>1,579,305.63</b>	2,031,378.94
General and administrative expenses	V. 34	<b>19,091,437.47</b>	18,019,232.44
Research and development expenses	V. 35	<b>2,783,172.31</b>	2,122,726.56
Financial expenses	V. 36	<b>-12,663,394.37</b>	-29,232,465.29
Including: Interest expenses		<b>914,951.61</b>	891,710.94
Interest income		<b>6,576,022.27</b>	2,403,719.06
Add: Other income	V. 37	<b>2,538,208.64</b>	800,003.29
Investment income (“-” for loss)	V. 38	<b>37,823,858.17</b>	35,165,561.83
Including: Share of gains of associates and joint ventures		<b>92,300.82</b>	-
Profits arising from changes in fair value (“-” for loss)	V. 39	<b>-17,283,897.55</b>	-36,917,030.87
Credit losses (“-” for loss)	V. 40	<b>4,663,136.50</b>	-3,231,963.44
Impairment losses (“-” for loss)	V. 41	<b>110,858.62</b>	-9,455,748.02
Gains/(losses) from asset disposals (“-” for loss)	V. 42	<b>-</b>	2,568.45
		<b>168,286,401.74</b>	131,162,306.00
<b>II. Operating profit (“-” for loss)</b>			
Add: Non-operating income	V. 43	<b>9.96</b>	23,123.57
Less: Non-operating expenses	V. 44	<b>3,241.54</b>	236,260.73
		<b>168,283,170.16</b>	130,949,168.84
<b>III. Profit before taxation (“-” for total loss)</b>			
Less: Income tax expenses	V. 45	<b>4,714,320.20</b>	24,328.66
		<b>163,568,849.96</b>	130,924,840.18
<b>IV. Net profit (“-” for net loss)</b>			
Classified by continuity of operations (“-” for net loss)		<b>163,568,849.96</b>	130,924,840.18
Net profit from continuing operations		<b>163,568,849.96</b>	130,924,840.18
Classified by ownership of the equity (“-” for net loss)		<b>163,568,849.96</b>	130,924,840.18
Attributable to shareholders of the Company		<b>163,568,849.96</b>	130,924,840.18
<b>V. Net amount after tax of other comprehensive income</b>		<b>-</b>	-
<b>VI. Total comprehensive income</b>		<b>163,568,849.96</b>	130,924,840.18
Attributable to shareholders of the Company		<b>163,568,849.96</b>	130,924,840.18
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share		<b>0.46</b>	0.36
(II) Diluted earnings per share		<b>0.46</b>	0.36

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

**Company Income Statement-unaudited***For the six-month period ended 30 June 2023**(Expressed in Renminbi Yuan)*

Items	Note	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
<b>I. Operating income</b>	XIII. 4	<b>370,497,774.72</b>	426,656,317.63
Less: Operating costs	XIII. 4	<b>344,906,494.29</b>	407,655,390.62
Taxes and surcharges		<b>2,320,951.83</b>	2,248,821.92
Selling and distribution expenses		<b>1,578,923.95</b>	2,029,926.04
General and administrative expenses		<b>6,562,724.79</b>	5,140,067.21
Research and development expenses		<b>1,609,565.02</b>	1,164,911.97
Financial expenses		<b>-12,223,957.95</b>	-18,632,567.98
Including: Interest expenses		<b>896,435.11</b>	873,194.44
Interest income		<b>6,500,288.52</b>	2,099,526.54
Add: Other income		<b>2,439,338.87</b>	33,078.00
Investment income (“-” for loss)	XIII. 5	<b>37,731,557.35</b>	35,165,561.83
Profits arising from changes in fair value (“-” for loss)		<b>-17,283,897.55</b>	-36,917,030.87
Credit losses (“-” for loss)		<b>3,277,798.00</b>	-4,407,854.34
Impairment losses (“-” for loss)		<b>236,404.48</b>	-9,033,569.00
Gains/(losses) from asset disposals (“-” for loss)		<b>-</b>	2,568.45
<b>II. Operating profit(“-” for loss)</b>		<b>52,144,273.94</b>	11,892,521.92
Add: Non-operating income		<b>-</b>	22,623.18
Less: Non-operating expenses		<b>-</b>	-
<b>III. Profit before taxation(“-” for total loss)</b>		<b>52,144,273.94</b>	11,915,145.10
Less: Income tax expenses		<b>4,644,201.21</b>	-
<b>IV. Net profit (“-” for net loss)</b>		<b>47,500,072.73</b>	11,915,145.10
<b>V. Total comprehensive income</b>		<b>47,500,072.73</b>	11,915,145.10

(Attached notes to statements are part of the consolidated financial statements)

Legal Representative: Wang An Chief Financial Officer: Wang Yan HuiChief Accountant: Li Lei

## Consolidated Cash Flow Statements-unaudited

For the six-month period ended 30 June 2023

(Expressed in Renminbi Yuan)

Items	Note	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
<b>I. Cash flows from operating activities:</b>			
Proceeds from sale of goods and rendering of services		583,967,409.68	570,247,333.83
Refund of taxes and surcharges		25,452,911.87	43,479,704.63
Proceeds received relating to other operating activities	V. 46	13,491,343.84	12,237,690.30
Sub-total of cash inflows		622,911,665.39	625,964,728.76
Payments for goods and services		118,542,136.58	140,994,462.15
Payments to and for employees		33,616,235.77	32,023,964.51
Payments of various taxes		34,128,277.49	13,887,329.09
Payments for other operating activities	V. 46	6,687,349.57	6,460,921.95
Sub-total of cash outflows		192,973,999.41	193,366,677.70
<b>Net cash flows from operating activities</b>		<b>429,937,665.98</b>	<b>432,598,051.06</b>
<b>II. Cash flows from investing activities:</b>			
Proceeds from disposal of investments		3,341,561,214.85	1,600,319,886.52
Investment returns received		36,414,777.30	35,165,561.83
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		–	1,660,033.01
Net proceeds from disposal of subsidiaries and other operating units		26,650,000.00	–
Proceeds from other investing activities	V. 46	3,337,036.63	2,048,987.16
Sub-total of cash inflows		3,407,963,028.78	1,639,194,468.52
Payments for acquisition of fixed assets, intangible assets and other long-term assets		19,195,362.94	42,732,964.17
Payments for acquisition of investments		3,678,174,955.15	1,864,890,623.03
Net payments for acquisition of subsidiaries and other operating units		59,906,390.20	–
Sub-total of cash outflows		3,757,276,708.29	1,907,623,587.20
<b>Net cash flows from investing activities</b>		<b>-349,313,679.51</b>	<b>-268,429,118.68</b>

Items	Note	<b>For the six-month period ended 30 June 2023</b>	For the six-month period ended 30 June 2022
<b>III. Cash flows from financing activities:</b>			
Proceeds from borrowings		<b>30,000,000.00</b>	–
Proceeds from other financing activities	V. 46	–	50,000,000.00
Sub-total of cash inflows		<b>30,000,000.00</b>	50,000,000.00
Payments for borrowings		<b>130,000,000.00</b>	–
Payments for distribution of dividends, profits and for interest expenses		<b>891,280.38</b>	973,194.44
Payments for other financing activities	V. 46	–	93,914,876.19
Sub-total of cash outflows		<b><u>130,891,280.38</u></b>	<u>94,888,070.63</u>
<b>Net cash outflow from financing activities</b>		<b><u>-100,891,280.38</u></b>	<u>-44,888,070.63</u>
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>		<b><u>1,306,425.01</u></b>	<u>15,085,900.21</u>
<b>V. Net (decrease)/increase in cash and cash Equivalents</b>		<b>-18,960,868.90</b>	134,366,761.96
Add: Cash and cash equivalents at the beginning of the year		<b><u>224,342,437.81</u></b>	<u>374,620,946.62</u>
<b>VI. Cash and cash equivalents at the end of the year</b>		<b><u>205,381,568.91</u></b>	<u>508,987,708.58</u>

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

**Company Cash Flow Statement-unaudited**  
For the six-month period ended 30 June 2023  
(Expressed in Renminbi Yuan)

Items	Note	For the six-month period ended 30 June 2023	For the six-month period ended 30 June 2022
<b>I. Cash flows from operating activities:</b>			
Proceeds from sale of goods and rendering of services		431,862,892.65	396,231,695.65
Refund of taxes and surcharges		24,204,465.78	34,808,911.66
Proceeds received relating to other operating activities		34,695,066.19	10,592,060.44
		<u>490,762,424.62</u>	<u>441,632,667.75</u>
Sub-total of cash inflows		-----	-----
Payments for goods and services		326,297,829.51	239,871,097.75
Payments to and for employees		10,218,481.60	8,472,550.03
Payments of various taxes		4,347,880.69	2,241,583.53
Payments for other operating activities		3,063,958.63	3,439,189.85
		<u>343,928,150.43</u>	<u>254,024,421.16</u>
Sub-total of cash outflows		-----	-----
<b>Net cash flows from operating activities</b>		<u>146,834,274.19</u>	<u>187,608,246.59</u>
<b>II. Cash flows from investing activities:</b>			
Proceeds from disposal of investments		3,341,561,214.85	1,600,279,886.52
Investment returns received		36,414,777.30	35,165,561.83
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		-	1,207,600.95
Net proceeds from disposal of subsidiaries and other operating units		26,650,000.00	-
Proceeds from other investing activities		306,087,303.04	219,459,650.98
		<u>3,710,713,295.19</u>	<u>1,856,112,700.28</u>
Sub-total of cash inflows		-----	-----
Payments for acquisition of fixed assets, intangible assets and other long-term assets		7,357,519.86	4,590,469.83
Payments for acquisition of investments		3,740,774,955.15	1,927,890,623.03
Net payments for acquisition of subsidiaries and other operating units		60,000,000.00	-
		<u>3,808,132,475.01</u>	<u>1,932,481,092.86</u>
Sub-total of cash outflows		-----	-----
<b>Net cash flows from investing activities</b>		<u>-97,419,179.82</u>	<u>-76,368,392.58</u>

Items	Note	<b>For the six-month period ended 30 June 2023</b>	For the six-month period ended 30 June 2022
<b>III. Cash flows from financing activities</b>			
Proceeds from borrowings		<u>30,000,000.00</u>	—
Sub-total of cash inflows		<u>30,000,000.00</u>	—
Payments for borrowings		130,000,000.00	—
Payments for distribution of dividends, profits and for interest expenses		872,763.88	973,194.44
Payments for other financing activities		<u>—</u>	<u>33,914,876.19</u>
Sub-total of cash outflows		<u>130,872,763.88</u>	<u>34,888,070.63</u>
<b>Net cash outflow from financing activities</b>		<u>-100,872,763.88</u>	<u>-34,888,070.63</u>
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>			
		<u>1,854,591.71</u>	<u>8,206,284.55</u>
<b>V. Net (decrease)/increase in cash and cash Equivalents</b>			
Add: Cash and cash equivalents at the beginning of the year		<u>186,613,912.97</u>	<u>277,314,112.30</u>
<b>VI. Cash and cash equivalents at the end of the year</b>		<u>137,010,835.17</u>	<u>361,872,180.23</u>

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

## Consolidated Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2023

(Expressed in Renminbi Yuan)

Items	For the six-month period ended 30 June 2023					Total owners' equity
	Share capital	Equity attributable to parent company Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	
I. Closing balance as at 31 December 2022	357,700,000.00	4,636,889.39	-	150,715,498.67	1,856,357,428.90	2,369,409,816.96
II. Opening balance as at 1 January 2023	357,700,000.00	4,636,889.39	-	150,715,498.67	1,856,357,428.90	2,369,409,816.96
III. Increases/decreases in 2023 ("+" for increases)	-	-	-	-	127,798,849.96	127,798,849.96
a) Total comprehensive income	-	-	-	-	163,568,849.96	163,568,849.96
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
c) Profits distribution	-	-	-	-	-35,770,000.00	-35,770,000.00
i. Appropriation of surplus reserve	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-35,770,000.00	-35,770,000.00
d) Others	-	-	-	-	-	-
IV. Closing balance as at 30 June 2023	357,700,000.00	4,636,889.39	-	150,715,498.67	1,984,156,278.86	2,497,208,666.92

Items	For the six-month period ended 30 June 2022					Total owners' equity
	Share capital	Equity attributable to parent company Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	
I. Closing balance as at 31 December 2021	367,300,000.00	51,532,007.12	23,872,408.21	141,408,306.24	1,689,200,792.40	2,225,568,697.55
II. Opening balance as at 1 January 2022	367,300,000.00	51,532,007.12	23,872,408.21	141,408,306.24	1,689,200,792.40	2,225,568,697.55
III. Increases/decreases in 2022 ("+" for increases)	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	113,039,840.18	80,417,130.66
a) Total comprehensive income	-	-	-	-	130,924,840.18	130,924,840.18
b) Owner's contributions to and withdrawals of capital	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-	-32,622,709.52
i. Common stock contributed/paid-in capital by shareholders/owners	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-	-32,622,709.52
c) Profits distribution	-	-	-	-	-17,885,000.00	-17,885,000.00
i. Appropriation of surplus reserve	-	-	-	-	-	-
ii. Distribution to owners	-	-	-	-	-17,885,000.00	-17,885,000.00
d) Others	-	-	-	-	-	-
IV. Closing balance as at 30 June 2022	357,700,000.00	4,636,889.39	-	141,408,306.24	1,802,240,632.58	2,305,985,828.21

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

## Company Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2023

(Expressed in Renminbi Yuan)

Items	For the six-month period ended 30 June 2023					Total owners' equity
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	
I. Closing balance as at 31 December 2022	357,700,000.00	30,879,587.24	-	150,715,498.67	625,085,526.06	1,164,380,611.97
II. Opening balance as at 1 January 2023	357,700,000.00	30,879,587.24	-	150,715,498.67	625,085,526.06	1,164,380,611.97
III. Increases/decreases in 2023 ("-" for decreases)	-	-	-	-	11,730,072.73	11,730,072.73
a) Total comprehensive income	-	-	-	-	47,500,072.73	47,500,072.73
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
c) Profits distribution	-	-	-	-	-35,770,000.00	-35,770,000.00
i. Distribution to owners	-	-	-	-	-35,770,000.00	-35,770,000.00
d) Others	-	-	-	-	-	-
IV. Closing balance as at 30 June 2023	357,700,000.00	30,879,587.24	-	150,715,498.67	636,815,598.79	1,176,110,684.70

Items	For the six-month period ended 30 June 2022					Total owners' equity
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	
I. Closing balance as at 31 December 2021	367,300,000.00	77,774,704.97	23,872,408.21	141,408,306.24	559,205,794.15	1,121,816,397.15
II. Opening balance as at 1 January 2022	367,300,000.00	77,774,704.97	23,872,408.21	141,408,306.24	559,205,794.15	1,121,816,397.15
III. Increases/decreases in 2022 ("-" for decreases)	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-5,969,854.90	-38,592,564.42
a) Total comprehensive income	-	-	-	-	11,915,145.10	11,915,145.10
b) Owner's contributions to and withdrawals of capital	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-	-32,622,709.52
i. Common stock contributed/paid-in capital by shareholders/owners	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-	-32,622,709.52
c) Profits distribution	-	-	-	-	-17,885,000.00	-17,885,000.00
i. Distribution to owners	-	-	-	-	-17,885,000.00	-17,885,000.00
d) Others	-	-	-	-	-	-
IV. Closing balance as at 30 June 2022	357,700,000.00	30,879,587.24	-	141,408,306.24	553,235,939.25	1,083,223,832.73

(Attached notes to statements are part of the consolidated financial statements)

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

Chief Accountant: Li Lei

## Notes to the financial statements for the six-month period ended 30 June 2023

### I Company status

#### (I) Place of incorporation, form of organization and address of head office of the Company

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.

On 14 June 2001, upon the approval of the Ministry of Commerce of the People’s Republic of China (formerly the Ministry of Foreign Trade and Cooperation), the original company as a whole was changed to a joint stock limited company, and its name was changed to Yantai North Andre Juice Co., Ltd.

The Company was listed on the GEM of the Stock Exchange of Hong Kong in April 2003 and transferred from the GEM to the Main Board in January 2011.

The Company’s application for initial public offering of not more than 20 million ordinary shares (A shares) was approved by the China Securities Regulatory Commission on 21 August 2020 in the Reply on the Approval of the Initial Public Offering of Yantai North Andre Juice Co., Ltd, (SFC’s License [2020] No.1914). The Company was listed on the Shanghai Stock Exchange on 14 September 2020 and currently holds a business license with a unified social credit code of 91370000613431903J.

After years of bonus share distribution, placing of new shares, conversion of share capital and issuance of new shares, as at 30 June 2023, the Company had a total share capital of 357,700,000 shares with a registered capital of RMB357,700,000.00. Its registered address is 18 Andre Avenue, Muping Economic Development Zone, Yantai City, Shandong Province, and the actual controllers are Wang An and Wang Meng.

#### (II) The nature of the Company’s business and major operating activities

The Company belongs to the fruit and vegetable juice and fruit and vegetable juice beverage manufacturing industry, and its main products and services are the production and sales of various fruit and vegetable juices, fruit pulp, essence, biological feed and related products.

#### (III) Scope of consolidated financial statements

There are 11 subsidiaries included in the consolidation scope of the Company in the current period. See Note VII. Equity in other entities for details. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period increased by 1. For details of the entities that changed the scope of consolidation, see Note VI. Changes in the scope of consolidation.

#### (IV) Approval of financial statements

The financial statements were approved for presentation by the Board of Directors of the Company on 30 August 2023.

## **II Basis for preparing financial statements**

### **(I) Basis for preparing financial statements**

The Company prepares the financial statements based on the actual transactions and events, and in accordance with the Accounting Standards for Business Enterprises–Basic Standards and Specific Enterprise Accounting Standards, Guidelines for the Application of Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant provisions (hereinafter collectively referred to as “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and on this basis, in combination with the provisions of the China Securities Regulatory Commission’s Regulation on the Information Disclosure of Companies Offering Securities to the Public No.15–General Provisions on Financial Reporting (Revised in 2014).

### **(II) Going concern**

The Company evaluated its ability to continue as a going concern for a period of 12 months from the end of the reporting period and found no events or circumstances that cast significant doubt on its ability to continue as a going concern. Accordingly, the financial statements have been prepared on the going concern assumption.

### **(III) Accounting basis and valuation principle**

The accounting of the Company is based on the accrual basis. Except that some financial instruments are measured at fair value, the financial statements take historical cost as the measurement basis. If an asset is impaired, the corresponding impairment provision shall be withdrawn in accordance with relevant regulations.

## **III Significant accounting policies, accounting estimates**

### **(I) Statement of compliance with Accounting Standards for Business Enterprises**

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the Company’s financial position, operating results, cash flows and other relevant information during the Reporting Period.

### **(II) Accounting period**

The accounting period is from 1 January to 31 December.

### **(III) Operating cycle**

An operating cycle refers to the period required for a business to make initial purchase to produce goods and receive cash and cash equivalents. The Group adopts 12 months as an operating cycle, which is the classification standard of the liquidity of its asset and liability.

### **(IV) 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.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(V) Accounting for business combinations under the same control and under different controls**

1. When the terms, conditions and economic impact of each transaction in the process of achieving a business combination step by step meet one or more of the following conditions, multiple transactions are accounted for as a package transaction
  - (1) These transactions were entered into simultaneously or with mutual influence in mind;
  - (2) These transactions as a whole can achieve a complete commercial outcome;
  - (3) The occurrence of one transaction depends on the occurrence of at least one other transaction;
  - (4) A transaction is uneconomical on its own, but economic when considered in conjunction with other transactions.
2. Business combinations involving entities under common control

Assets and liabilities of the Company acquired in a business combination are measured at the carrying amount of the assets and liabilities of the acquiree (including goodwill arising on the acquisition of the acquiree by the ultimate controlling party) in the consolidated financial statements of the ultimate controlling party at the date of the combination. The difference between the carrying value of the net assets acquired in the merger and the carrying value of the consideration paid for the merger (or the aggregate nominal value of the shares issued) is adjusted by adjusting the share premium in the capital reserve or, if the share premium in the capital reserve is insufficient to offset, by adjusting the retained earnings.

If there is contingent consideration and it is necessary to recognise the expected liability or asset, adjust the capital reserve (capital premium or equity premium) for the difference between the amount of the expected liability or asset and the subsequent settlement of the contingent consideration, or adjust retained earnings if the capital reserve is insufficient.

In the case of a business combination that is ultimately achieved through multiple transactions and is a package transaction, each transaction is accounted for as a transaction that obtains control; If the transaction is not a blanket transaction, the capital reserve is adjusted by the difference between the initial investment cost of the long-term equity investment at the date of acquisition of control and the sum of the carrying amount of the long-term equity investment before the merger plus the carrying amount of the new consideration paid for the further acquisition of shares at the date of merger; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For equity investments held before the consolidation date, other comprehensive income recognised by applying the equity method of accounting or financial instrument recognition and measurement standards is not accounted for until such time as the investment is disposed of on the same basis as the related assets or liabilities directly disposed of by the investee; Changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in the net assets of the investee recognised as a result of the equity method of accounting are not accounted for until they are transferred to profit or loss in the current period when the investment is disposed of.

### III Significant accounting policies, accounting estimates (continued)

#### (V) Accounting for business combinations under the same control and under different controls (continued)

##### 3. Business combinations involving entities not under common control

The purchase date is the date on which the Company actually obtains control over the acquiree, i.e. the date on which the net assets of the acquiree or the control over production and operation decisions are transferred to the Company. The Company generally considers that the transfer of control is achieved when the following conditions are satisfied:

- (1) The business combination contract or agreement has been approved by the internal authority of the Company.
- (2) the enterprise merger matters need to be approved by the relevant competent departments of the state, has been approved.
- (3) has handled the necessary formalities for the transfer of property rights.
- (4) The Company has paid the majority of the consolidated price and is able and planned to pay the remaining amount.
- (5) The Company has actually controlled the financial and operating policies of the acquiree, and enjoys corresponding benefits and bears corresponding risks.

The Company measures assets, liabilities incurred or assumed as consideration for a business combination at fair value at the date of purchase, and the difference between the fair value and its carrying amount is included in the profit or loss of the current period.

Goodwill is recognised when the cost of the combination exceeds the fair value share of the identifiable net assets of the acquiree acquired in the combination; The difference between the cost of the combination and the fair value share of the identifiable net assets of the acquiree obtained in the combination is included in the profit or loss of the current period after review.

If a business combination that is not under the same control and is achieved step by step through multiple exchange transactions is a blanket transaction, each transaction is accounted for as a transaction that obtains control; If the equity investment held before the merger date is accounted for using the equity method if the transaction is not a blanket transaction, the sum of the carrying amount of the equity investment held by the acquiree before the purchase date and the new investment cost at the purchase date shall be taken as the initial investment cost of the investment; Other comprehensive income recognised for equity investments held prior to the purchase date that are accounted for using the equity method is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities. If the equity investment held before the merger date is accounted for using the financial instrument recognition and measurement standard, the sum of the fair value of the equity investment at the merger date and the new investment cost shall be taken as the initial investment cost at the merger date. The difference between the fair value and carrying amount of the original equity held and the cumulative change in fair value originally included in other comprehensive income shall be transferred to the investment income of the current period at the date of consolidation.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(V) Accounting for business combinations under the same control and under different controls (continued)**

##### 4. Related expenses incurred for consolidation

Intermediary expenses such as audit, legal services, assessment and consultation and other directly related expenses incurred for business combination are included in the profit or loss of the current period when incurred; Transaction costs of equity securities issued for business combinations that are directly attributable to equity transactions are deducted from equity.

#### **(VI) Consolidated financial statements**

##### 1. Scope of consolidation

The scope of consolidation in the Company's consolidated financial statements is determined on a control basis, with all subsidiaries (including separate entities controlled by the Company) included in the consolidated financial statements.

##### 2. Consolidation procedure

The consolidated financial statements of the Company are prepared on the basis of the financial statements of the Company and its subsidiaries and based on other relevant information. In preparing the consolidated financial statements, the Company treats the entire enterprise group as one accounting entity and reflects the overall financial position, operating results and cash flows of the Group in accordance with the requirements for recognition, measurement and presentation of relevant accounting standards for enterprises and consistent accounting policies.

If the accounting policies and accounting periods adopted by all subsidiaries included in the scope of consolidation of the consolidated financial statements are consistent with those of the Company, and if the accounting policies and accounting periods adopted by the subsidiaries are inconsistent with those of the Company, necessary adjustments shall be made in accordance with the Company's accounting policies and accounting periods when preparing the consolidated financial statements.

When the financial statements are consolidated, the effects of internal transactions between the Company and each subsidiary and each subsidiary on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity are eliminated. If the consolidated financial statements of an enterprise group differ from the recognition of the same transaction with the Company or a subsidiary as the accounting entity, the transaction is adjusted from the enterprise group perspective.

Subsidiary owners' equity, net profit or loss for the current period and the minority shareholders' share of the current consolidated income are presented separately in the consolidated balance sheet under owners' equity, in the consolidated income statement under net profit and in the consolidated total income. The minority shareholders' share of the current losses of the subsidiary exceeds the minority shareholders' share of the initial owners' equity of the subsidiary and the balance is offset against the minority shareholders' equity.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(VI) Consolidated financial statements (continued)**

##### **2. Consolidation procedure (continued)**

For a subsidiary acquired through a business combination under the same control, adjustments are made to its financial statements based on the carrying amount of its assets and liabilities (including goodwill resulting from the acquisition of the subsidiary by the ultimate control party) in the financial statements of the ultimate control party.

For subsidiaries acquired through business combinations not under the same control, adjustments are made to their financial statements based on the fair value of net identifiable assets at the date of purchase.

##### **(1) Add a subsidiary or business**

During the reporting period, if a subsidiary or business is added as a result of a business combination under the same control, the opening amount of the consolidated balance sheet is adjusted; Include the income, expenses and profits of subsidiaries or business combinations from the beginning of the current period to the end of the reporting period in the consolidated income statement; The cash flows from the beginning of the current period to the end of the reporting period of a subsidiary or business combination are included in the consolidated cash flow statement, and the related items in the comparative statements are adjusted as if the consolidated reporting entity has been in existence since the point when the ultimate controlling party begins to control.

Where control can be exercised over the investee under the same control due to additional investment and other reasons, it shall be deemed that the parties participating in the merger have made adjustments in their current status when the ultimate controlling party begins to control. Equity investments held before control of the consolidated party are recognised for profit or loss, other comprehensive income and other changes in net assets between the later of the date on which the original equity interest is acquired and the date on which the combined party and the consolidated party are under the same control and the date of consolidation, which are offset against the opening retained earnings or current profit or loss, respectively, in the period of the comparative statements.

During the Reporting Period, if a subsidiary or business is added as a result of a business combination that is not under the same control, the opening amount of the consolidated balance sheet is not adjusted; Include in the consolidated income statement the income, expenses and profits of the subsidiary or business from the date of purchase to the end of the reporting period; The cash flows of the subsidiary or business from the date of purchase to the end of the reporting period are included in the consolidated statement of cash flows.

### III Significant accounting policies, accounting estimates (continued)

#### (VI) Consolidated financial statements (continued)

##### 2. Consolidation procedure (continued)

###### (1) Add a subsidiary or business (continued)

Where control can be exercised over an investee that is not under the same control due to additional investment or other reasons, the Company remeasures the equity interest of the investee held before the purchase date based on the fair value of the equity interest at the purchase date, and the difference between the fair value and its carrying amount is included in the current investment income. Where the equity interest in the acquiree held before the purchase date relates to other comprehensive income under the equity method and other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution, other comprehensive income and other changes in owner's equity relating thereto are transferred to investment income of the current period as at the purchase date, except for other comprehensive income arising from the remeasurement of net liabilities or changes in net assets of defined benefit plans by the investee.

###### (2) Dispose of a subsidiary or business

###### 1) General treatment

During the Reporting Period, when the Company disposes of a subsidiary or business, the income, expenses and profits of that subsidiary or business from the beginning of the period to the date of disposal are included in the consolidated income statement; The cash flows from the beginning of the period to the disposal date of the subsidiary or operation are included in the consolidated statement of cash flows.

When control over the investee is lost due to the disposal of part of the equity investment or other reasons, the Company remeasures the remaining equity investment after disposal at its fair value at the date when control is lost. The difference between the sum of the consideration obtained on disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the net assets of the original subsidiary calculated based on the original shareholding ratio and goodwill calculated on a continuing basis from the date of purchase or consolidation, is included in investment income in the period in which control is lost. Other comprehensive income or changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution relating to the equity investment in the original subsidiary is converted to investment income in the current period when control is lost, except for other comprehensive income arising from the remeasurement by the investee of net defined benefit plans liabilities or changes in net assets.

### III Significant accounting policies, accounting estimates (continued)

#### (VI) Consolidated financial statements (continued)

##### 2. Consolidation procedure (continued)

##### (2) Dispose of a subsidiary or business (continued)

##### 2) Disposal of subsidiaries step by step

Where the equity investment in a subsidiary is disposed of step by step through multiple transactions until control is lost, the terms, conditions and economic impact of each transaction that disposes of the equity investment in a subsidiary meet one or more of the following conditions, which generally indicate that multiple transactions should be accounted for as a single transaction:

- A. The transactions were entered into simultaneously or with mutual influence in mind;
- B. The transactions as a whole are capable of achieving a complete commercial outcome;
- C. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- D. The transaction is uneconomical by itself but economic when considered in conjunction with other transactions.

Where each transaction that disposes of an equity investment in a subsidiary until control is lost is a blanket transaction, the Company accounts for each transaction as a transaction that disposes of the subsidiary and loses control; However, the difference between each disposal price before the loss of control and the share of net assets of the subsidiary corresponding to the disposal of the investment is recognised as other comprehensive income in the consolidated financial statements and is transferred to profit or loss in the period in which control is lost when control is lost.

Where each transaction that disposes of an equity investment in a subsidiary until the loss of control is not a blanket transaction, the relevant policy for partial disposal of an equity investment in a subsidiary without loss of control is accounted for before the loss of control; When control is lost, accounting is performed in the same manner as would be done for a disposal subsidiary.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(VI) Consolidated financial statements (continued)**

##### 2. Consolidation procedure (continued)

###### (3) Purchase of minority interests in subsidiaries

The difference between the Company's newly acquired long-term equity investment resulting from the purchase of minority interests and the share of net assets attributable to the subsidiary calculated on an ongoing basis from the date of purchase (or the date of consolidation) based on the newly increased shareholding ratio, the equity premium in the capital reserve in the consolidated balance sheet is adjusted, and if the equity premium in the capital reserve is insufficient to offset, the retained earnings is adjusted.

###### (4) Partial disposal of equity investments in subsidiaries without loss of control

Adjust the equity premium in the capital reserve in the consolidated balance sheet for the difference between the disposal price obtained from the partial disposal of the long-term equity investment in the subsidiary without loss of control and the share of the net assets of the subsidiary that would continue to be calculated from the purchase date or the consolidation date corresponding to the disposal of the long-term equity investment, or adjust the retained earnings if the equity premium in the capital reserve is insufficient to offset.

#### **(VII) Classification of joint arrangements and accounting for joint operations**

##### 1. Classification of joint arrangements

The Company classifies joint arrangements into joint operations and joint ventures based on factors such as the structure, legal form and terms agreed in the joint arrangements, other relevant facts and circumstances, etc.

Joint arrangements that are not reached through separate entities are classified as joint operations; Joint arrangements entered into through separate entities are generally classified as joint ventures; However, a joint venture arrangement that meets any of the following conditions and meets the requirements of relevant laws and regulations is classified as joint operation if there is conclusive evidence:

- (1) The legal form of the joint arrangement indicates that the parties to the joint arrangement have rights and obligations respectively over the relevant assets and liabilities under the arrangement.
- (2) The contractual terms of the joint arrangement stipulate that the parties to the joint arrangement shall have rights and obligations respectively in respect of the relevant assets and liabilities under the arrangement.
- (3) Other relevant facts and circumstances indicate that the parties have rights and obligations respectively over the relevant assets and liabilities under the arrangement, such as the parties have substantially all the outputs related to the joint arrangement and the settlement of the liabilities under the arrangement continues to depend on the support of the parties.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(VII) Classification of joint arrangements and accounting for joint operations (continued)**

##### **2. Accounting for joint operations**

The Company recognises the following items in the share of interests in joint operations that are relevant to the Company and are accounted for in accordance with the relevant accounting standards for enterprises:

- (1) Recognising assets held separately and jointly held assets in proportion to their share;
- (2) Recognition of liabilities that are assumed individually and of liabilities that are shared in proportion to their share;
- (3) Recognition of revenue arising from the disposal of their share of joint operating outputs;
- (4) Revenue from the disposal of outputs from joint operations is recognised at its share;
- (5) Recognise expenses incurred separately and recognise expenses incurred in joint operations in proportion to their share.

The Company invests or sells assets, etc, to a joint operation (except where the assets constitute a business), only the portion of the profit or loss arising from the transaction attributable to the other participants in the joint operation is recognised before the assets, etc, are sold from the joint operation to a third party. The Company recognises in full an impairment loss on an asset that has been placed or sold that meets the requirements of IAS 8–Impairment of Assets, etc.

The Company purchases assets, etc, from a joint operation (except where the assets constitute a business) and only recognises the portion of the profit or loss arising from the transaction attributable to the other participants in the joint operation before selling the assets, etc, to a third party. Where an asset acquired has an impairment loss that meets the requirements of Accounting Standard for Business Enterprises No.8–Impairment of Assets, etc., the Company recognises the loss based on the share assumed.

The Company does not have joint control over the joint operation, If the Company enjoys the assets related to the joint operation and bears the liabilities related to the joint operation, it shall still be accounted for in accordance with the above principles; otherwise, it shall be accounted for in accordance with the relevant accounting standards for enterprises.

#### **(VIII) Criteria for determining cash and cash equivalents**

In preparing the statement of cash flows, cash on hand and deposits that are readily available for payment are recognised as cash. Cash equivalents are defined as investments that simultaneously meet the four criteria of short maturity (generally due within three months from the date of purchase), high liquidity, easy conversion to known amounts of cash, and low risk of changes in value.

### III Significant accounting policies, accounting estimates (continued)

#### (IX) Foreign currency transactions and translation of foreign currency statements

##### 1. Foreign currency transaction

Foreign currency business transactions are initially recognised using the spot rate at the date of the transaction as the translation rate and translated into RMB for accounting.

On the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date, and exchange differences arising therefrom are included in the current profit or loss, except for exchange differences arising from foreign currency specific borrowings relating to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalisation of borrowing costs. Non-monetary items in foreign currencies that are measured at historical cost are still translated using the spot exchange rate at the date of the transaction without changing the amount in the functional currency.

Non-monetary items measured at fair value in foreign currencies are translated using the spot exchange rate at the date when the fair value is determined. The difference between the amount in the functional currency after translation and the amount in the original functional currency is treated as a change in fair value (including changes in exchange rates) and included in the current profit or loss or recognised as other comprehensive income.

##### 2. Translation of foreign currency financial statements

Items of assets and liabilities in the balance sheet are translated using the spot exchange rates at the balance sheet date; Items of owner's equity other than "undistributed profits" are translated using the spot exchange rate at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate at the date of the transaction. Translation differences in the foreign currency financial statements arising from the above translation are included in other comprehensive income.

When disposing of a foreign operation, the difference between the translation of the foreign currency financial statements relating to the foreign operation as shown in other comprehensive income items in the balance sheet is transferred from other comprehensive income items to the profit or loss of the current period of disposal; When the proportion of interests held in a foreign operation is reduced but the control over the foreign operation is not lost due to the disposal of part of equity investment or other reasons, the translation difference of the foreign currency statements relating to the disposal part of the foreign operation will be attributed to the minority shareholders' interests and not transferred to the current profit or loss. When a foreign operation is disposed of as an associate or part of an equity interest in a joint venture, the translation difference in the foreign currency statements relating to the foreign operation is transferred to the profit or loss of the period in which the foreign operation is disposed of in proportion to the proportion of the foreign operation disposed of.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(X) Financial instruments**

A financial asset or financial liability is recognised when the Company becomes a party to a contract for a financial instrument.

The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income or interest expense over each accounting period.

The effective interest rate is the rate used to discount the estimated future cash flows of a financial asset or financial liability over its expected life to the carrying amount of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liability (e.g. prepayment, extension, call option or other similar option, etc.), but without taking into account the expected credit losses.

The amortized cost of a financial asset or financial liability is the amount initially recognised for that financial asset or financial liability less the principal repaid, plus or minus the cumulative amortisation of the difference between the amount initially recognised and the amount at maturity using the effective interest method, less the cumulative loss allowance (for financial assets only).

#### **1. Classification and measurement of financial assets**

Based on the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company classifies the financial assets into the following three categories:

- (1) Financial assets measured in amortized cost.
- (2) Financial assets at fair value through other comprehensive income.
- (3) Financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition, but trade or bills receivables arising from the sale of goods or services, etc, that do not contain a significant financing component or do not consider a financing component for more than one year are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, transaction costs are charged directly to profit or loss, and transaction costs relating to other types of financial assets are charged to the amount initially recognised.

Subsequent measurement of financial assets depends on their classification, and all affected related financial assets are reclassified when and only when the Company changes its business model for managing financial assets.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 1. Classification and measurement of financial assets (continued)

###### (1) Classified as financial assets measured in amortized cost

A financial asset is classified as a financial asset measured in amortized cost if the contractual terms of the financial asset specify that the cash flows that arise at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims to collect the contractual cash flows. The Company's financial assets classified as measured in amortized cost include monetary funds, bills and trade receivables, other receivables, long-term receivables, debt investments, etc.

Interest income is recognised by the Company using the effective interest method for these financial assets and subsequently measured at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the profit or loss of the current period. Interest income is determined by multiplying the carrying amount of a financial asset by the effective interest rate, except for the following:

- 1) For financial assets that have been acquired or originated for credit impairment, the Company calculates and determines the interest income based on the amortized cost and credit-adjusted effective interest rate of the financial assets from initial recognition.
- 2) For financial assets that have not been credit-impaired but become credit-impaired in subsequent periods, the Company calculates and determines the interest income based on the amortized cost and effective interest rate of the financial assets in subsequent periods. If the financial instrument is no longer credit-impaired due to an improvement in its credit risk in a subsequent period, the Company calculates and determines interest income by multiplying the effective interest rate by the carrying amount of the financial asset.

###### (2) Financial assets classified as at fair value through other comprehensive income

A financial asset is classified by the Company as a financial asset at fair value through other comprehensive income if the contractual terms of the financial asset stipulate that the cash flows generated at a particular date are solely payments of principal and interest based on the amount of the principal outstanding and the financial asset is managed in a business model that aims at both collecting the contractual cash flows and selling the financial asset.

The Company recognises interest income on these financial assets using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses and exchange differences, which are recognised in profit or loss for the period. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income to profit or loss for the current period.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 1. Classification and measurement of financial assets (continued)

##### (2) Financial assets classified as at fair value through other comprehensive income (continued)

Bills and receivables at fair value through other comprehensive income are presented as receivables financing and other such financial assets are presented as other debt investments, in which: other debt investments that fall due within one year from the balance sheet date are presented as non-current assets that fall due within one year and other debt investments that have an original maturity of less than one year are presented as other current assets.

##### (3) Financial assets designated as at fair value through other comprehensive income

On initial recognition, the Company may irrevocably designate an investment in a non-trading equity instrument as a financial asset at fair value through other comprehensive income on a single financial asset basis.

Changes in the fair value of these financial assets are included in other comprehensive income and no impairment allowance is required. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income to retained earnings. Dividend income is recognised and credited to profit or loss for the period in which the Company holds the investment in the equity instrument when the Company's right to receive dividends has been established, it is probable that economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably. The Company's investment in these financial assets in other equity instruments is reported below.

An investment in an equity instrument is a financial asset that is measured at fair value through profit or loss if one of the following conditions is met: the financial asset is acquired primarily for immediate sale; It is part of a centrally managed portfolio of identifiable financial asset instruments at initial recognition and there is objective evidence that a short-term profit model actually exists in the near term; Are derivatives (other than derivatives that meet the definition of a financial guarantee contract and are designated as valid hedging instruments).

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 1. Classification and measurement of financial assets (continued)

###### (4) Financial assets classified as at fair value through profit or loss

Financial assets that do not meet the criteria for being classified as either amortized cost-based or fair value through other comprehensive income or designated as fair value through other comprehensive income are classified as financial assets at fair value through profit or loss.

The Company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The Company presents these financial assets under the items of Financial assets held for trading and other non-current financial assets based on their liquidity.

###### (5) Financial assets designated as at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may irrevocably designate a financial asset as a financial asset at fair value through profit or loss on a single financial asset basis.

Where the hybrid contract contains one or more embedded derivatives and the host contract does not belong to the above financial assets, the Company may designate the whole as a financial instrument at fair value through profit or loss. Except for the following:

- 1) Embedded derivatives do not materially change the cash flows of the hybrid contract.
- 2) When initially determining whether a similar hybrid contract needs to be split, it is almost clear without analysis that the embedded derivatives it contains should not be split. Where an embedded prepayment option for a loan allows the holder to prepay the loan at an amount close to amortized cost, the prepayment option does not need to be split.

The Company applies fair value to subsequent measurement of these financial assets and records the gain or loss arising from the change in fair value and dividend and interest income related to these financial assets in the profit or loss of the current period.

The Company presents these financial assets under the items of Financial assets held for trading and other non-current financial assets based on their liquidity.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 2. Classification and measurement of financial liabilities

The Company classifies a financial instrument, or a component thereof, as a financial liability or an equity instrument on initial recognition based on the contractual terms of the financial instrument issued and the economic substance reflected therein, rather than solely in legal form, in combination with the definitions of a financial liability and an equity instrument. Financial liabilities are classified on initial recognition as financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value on initial recognition. For financial liabilities measured at fair value through profit or loss, the related transaction costs are charged directly to profit or loss; For other types of financial liabilities, the related transaction costs are included in the amount initially recognised.

Subsequent measurement of financial liabilities depends on their classification:

- (1) financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period

Such financial liabilities include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss on initial recognition.

A financial liability is a transaction if one of the following conditions is met: the underlying financial liability is assumed primarily for the purpose of selling or repurchasing in the near term; It is part of a centrally managed portfolio of identifiable financial instruments, and there is objective evidence that the enterprise has recently adopted a short-term profit model; They are derivatives, except for those that are designated as effective hedging instruments and those that meet financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value and all changes in fair value are included in profit or loss for the period, except for those relating to hedge accounting.

At initial recognition, in order to provide more relevant accounting information, the Company irrevocably designates a financial liability that meets one of the following conditions as a financial liability at fair value through profit or loss:

- 1) Accounting mismatches can be eliminated or significantly reduced.
- 2) The management and performance evaluation of a portfolio of financial liabilities or a portfolio of financial assets and financial liabilities on a fair value basis, in accordance with the corporate risk management or investment strategy as set out in the official written documents, and reporting to key management personnel within the enterprise on this basis.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 2. Classification and measurement of financial liabilities (continued)

- (1) financial liabilities measured at fair value and whose movements are included in the profit and loss of the current period (continued)

The Company subsequently measures these financial liabilities at fair value, except for changes in fair value arising from changes in the Company's own credit risk, which are included in other comprehensive income, other changes in fair value are included in the profit or loss of the current period. The Company accounts for all changes in fair value (including the amount of the effect of changes in its own credit risk) in profit or loss for the current period, unless such changes in fair value through other comprehensive income would cause or enlarge an accounting mismatch in profit or loss.

- (2) Other financial liabilities

The Company classifies financial liabilities as financial liabilities measured in amortized cost, which are subsequently measured in accordance with amortized cost using the effective interest method, and gains or losses arising from derecognition or amortisation are included in profit or loss for the period, except for the following:

- 1) Financial liabilities at fair value through profit or loss.
- 2) Financial liabilities arising from the transfer of a financial asset that does not meet the conditions for derecognition or continues to be involved in the transferred financial asset.
- 3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category 1) of this article for loans at below-market interest rates.

A financial guarantee contract is a contract that requires an issuer to pay a specific amount to a contract holder that has suffered a loss when a particular debtor fails to pay its debt in accordance with the terms of the original or modified debt instrument when due. Financial guarantee contracts that are not financial liabilities designated at fair value through profit or loss are measured after initial recognition at the higher of the loss allowance amount and the amount initially recognised less accumulated amortisation over the guarantee period.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 3. Derecognition of financial assets and financial liabilities

(1) A financial asset is derecognised when one of the following conditions is met, i.e. it is written off from its account and balance sheet:

- 1) The contractual right to receive the cash flows from the financial asset is terminated.
- 2) The financial asset has been transferred and the transfer meets the requirements for derecognition of the financial asset.

(2) Conditions for derecognition of financial liabilities

A financial liability (or a portion of a financial liability) is derecognised if the current obligation of the financial liability (or portion of a financial liability) has been discharged.

Where an agreement is entered into between the Company and the lender to replace the original financial liability by assuming the new financial liability and the contractual terms of the new financial liability and the original financial liability are materially different, or the contractual terms of the original financial liability (or a portion thereof) are materially modified, the original financial liability is derecognised and a new financial liability is simultaneously recognised, and the difference between the carrying amount and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) is included in the profit or loss of the current period.

Where the Company repurchases a portion of a financial liability, the carrying amount of the financial liability as a whole is allocated based on the fair value of the continuing recognition portion and the derecognition portion as a proportion of the fair value of the financial liability as a whole at the date of repurchase. The difference between the carrying amount allocated to the derecognised portion and the consideration paid, including the non-cash assets transferred out or liabilities assumed, is included in the current profit or loss.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(X) Financial instruments (continued)**

##### 4. The basis for recognition and measurement of financial asset transfers

When a transfer of financial assets occurs, the Company assesses the extent of the risks and rewards of retaining ownership of the financial assets and deals with each of the following:

- (1) Where substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognised and the rights and obligations arising or retained in the transfer are recognised separately as assets or liabilities.
- (2) A financial asset is recognised if it retains substantially all the risks and rewards of ownership.
- (3) Where substantially all the risks and rewards of ownership of a financial asset have not been transferred or retained (i.e, other than those in (1) and (2) of this Article), they are dealt with in the following circumstances, depending on whether they retain control over the financial asset:
  - 1) Where control over the financial asset is not retained, the financial asset is derecognised and the rights and obligations arising or retained in the transfer are recognised separately as assets or liabilities.
  - 2) Where control over the financial asset is retained, the financial asset continues to be recognised to the extent that it continues to be involved in the transferred financial asset and the related liability is recognised accordingly. The extent to which the Company continues to be involved in the transferred financial asset is the extent to which the Company is exposed to risks or rewards from changes in the value of the transferred financial asset.

In determining whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form is adopted. The Company classifies the transfer of financial assets into overall transfer and partial transfer of financial assets.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

4. The basis for recognition and measurement of financial asset transfers (continued)
  - (1) Where the overall transfer of a financial asset satisfies the derecognition condition, the difference between the following two amounts is included in the current profit or loss:
    - 1) The carrying amount of the transferred financial asset at the date of derecognition.
    - 2) The sum of the consideration received for the transfer of a financial asset and the amount of the corresponding derecognised portion of the cumulative change in fair value that would have been credited directly to other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with the change in other comprehensive income).
  - (2) Where a financial asset is partially transferred and the transferred portion as a whole satisfies the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognition portion and the continuing recognition portion (in which case, the retained service asset shall be regarded as a part of the continuing recognition of the financial asset) based on the relative fair value on the transfer date, and the difference between the following two amounts is included in the current profit or loss:
    - 1) The carrying amount of the derecognised portion at the date of derecognition.
    - 2) The sum of the consideration received for the derecognition component and the amount of the corresponding derecognition component of the cumulative change in fair value originally included in other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with its change included in other comprehensive income).

Where the transfer of a financial asset does not meet the conditions for derecognition, the financial asset is continued to be recognised and the consideration received is recognised as a financial liability.

#### 5. Determination of fair value of financial assets and financial liabilities

A financial asset or financial liability that has an active market is determined at its fair value based on quoted prices in the active market, unless the financial asset has a shelf life that is specific to the asset itself. Financial assets that are restricted for sale against the asset itself are determined at quoted prices in active markets, net of the amount of compensation required by market participants to assume the risk of not selling the financial asset in the open market for a specified period of time. Quoted prices in active markets include quoted prices that are readily and regularly available from exchanges, dealers, brokers, industry groups, pricing agencies or regulators, etc, and that represent actual and recurring market transactions on a fair trading basis.

Financial assets acquired or derived initially, or financial liabilities assumed, are determined on the basis of market transaction prices.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 5. Determination of fair value of financial assets and financial liabilities (continued)

Financial assets or financial liabilities that do not have an active market are valued at fair value using valuation techniques. In making the valuation, the Company uses valuation techniques that are appropriate in the circumstances and supported by sufficient available data and other information to select inputs that are consistent with the characteristics of the asset or liability that market participants consider in the transaction of the underlying asset or liability, and to the extent possible, gives preference to the relevant observable inputs. Unobservable inputs are used when the relevant observable inputs are not available or are not practicable to obtain.

##### 6. Impairment of financial instruments

The Company performs impairment accounting and recognises loss allowances on the basis of ECL for financial assets classified as measured in amortized cost, financial assets classified as measured at fair value through other comprehensive income and financial guarantee contracts.

Expected credit losses are the weighted average of the credit losses on financial instruments weighted by the risk of default. Credit losses represent the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received, discounted at the Company's original effective interest rate, being the present value of all cash shortfalls. Among them, credit-impaired financial assets purchased or originated by the Company shall be discounted at the credit-adjusted effective interest rate of the financial assets.

For receivables arising from transactions governed by revenue standards, the Company applies the simplified measurement method to measure the loss allowance at an amount equal to lifetime ECLs.

For financial assets that have been purchased or originated for credit impairment, only the cumulative change in expected credit losses over the lifetime after initial recognition is recognised as a loss allowance at the balance sheet date. At each balance sheet date, the amount of the change in ECL over the lifetime is credited to profit or loss as an impairment loss or gain. Favourable changes in ECLs are recognised as impairment gains even if the lifetime ECLs determined at the balance sheet date are less than the amount of ECLs reflected in the estimated cash flows at initial recognition.

For financial assets other than those that have undergone credit impairment using the simplified measurement method and purchases or origination described above, the Company assesses at each balance sheet date whether the credit risk of the relevant financial instrument has increased significantly since initial recognition and measures its loss allowance, recognises ECLs and changes therein separately as follows:

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 6. Impairment of financial instruments (continued)

- (1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in stage 1, the loss allowance is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and the effective interest rate.
- (2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in stage 2, the loss allowance is measured at an amount equal to the expected credit loss over the lifetime of the financial instrument, and interest income is calculated based on the carrying amount and the effective interest rate.
- (3) If the financial instrument has been credit-impaired since initial recognition, it is in Stage 3, the Company measures its loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument and calculates interest income at amortized cost and effective interest rates.

The amount by which the credit loss allowance for a financial instrument is increased or reversed is credited to profit or loss as an impairment loss or gain. Except for financial assets classified as at fair value through other comprehensive income, credit loss allowance is made against the carrying amount of the financial asset. For financial assets classified as at fair value through other comprehensive income, the Company recognises its credit loss allowance in other comprehensive income and does not reduce the carrying amount of the financial asset as shown in the balance sheet.

If the Company has measured the loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument in the previous accounting period, but the financial instrument is no longer subject to a significant increase in credit risk since initial recognition at the balance sheet date of the current period, the Company measures the loss allowance at an amount equal to the expected credit losses over the next 12 months at the balance sheet date of the current period, and the reversal amount of the loss allowance thus formed is included in the current profit or loss as an impairment gain.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 6. Impairment of financial instruments (continued)

###### (1) Significant increase in credit risk

The Company uses available reasonable and supportable forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the balance sheet date with the risk of a default occurring on the date of initial recognition. For financial guarantee contracts, the date on which the Company becomes a party to an irrevocable commitment is the date of initial recognition when the Company applies the impairment provision for financial instruments.

In assessing whether there has been a significant increase in credit risk, the Company considers the following factors:

- 1) Whether there has been an actual or expected significant change in the operating results of the debtor;
- 2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;
- 3) Whether there has been a significant change in the value of the collateral used as security for the debt or in the quality of the guarantees or credit enhancements provided by third parties that is expected to reduce the debtor's economic incentive to pay within the contractual time limit or affect the probability of default;
- 4) Whether there has been a significant change in the expected performance and repayment behavior of the debtor;
- 5) Changes in the Company's credit management methods for financial instruments, etc.

At the balance sheet date, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the Company determines that the financial instrument has only low credit risk. A financial instrument is considered to have low credit risk if it has a low risk of default, the borrower has a strong ability to meet its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment over a longer period of time, it may not necessarily reduce the borrower's ability to meet its contractual cash flow obligations.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 6. Impairment of financial instruments (continued)

###### (2) Financial assets with credit impairment

A financial asset is credit-impaired when one or more events that have a detrimental impact on the expected future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- 1) Significant financial difficulties of the issuer or the debtor;
- 2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;
- 3) A concession given by a creditor to the debtor that the debtor would not otherwise make for economic or contractual reasons relating to the debtor's financial difficulties;
- 4) The debtor is likely to go bankrupt or undergo other financial restructuring;
- 5) The financial difficulty of the issuer or the debtor results in the disappearance of an active market for the financial asset;
- 6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may be caused by the joint action of multiple events, and may not be caused by separately identifiable events.

###### (3) Determination of ECL

The Company assesses the ECLs for financial instruments individually and in combination, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions in assessing the ECLs.

The Company classifies financial instruments into different combinations based on common credit risk characteristics. Common credit risk characteristics adopted by the Company include: type of financial instrument, credit risk rating, aging mix, overdue aging mix, contract settlement cycle, debtor's industry, etc. See the accounting policies for the relevant financial instruments for the individual assessment criteria and the combined credit risk characteristics of the relevant financial instruments.

The Company determines the ECL for the relevant financial instruments as follows:

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 6. Impairment of financial instruments (continued)

###### (3) Determination of ECL (continued)

- 1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the Company is expected to receive and the cash flows that it expects to receive.
- 2) For lease receivables, the credit loss is the present value of the difference between the contract cash flow the Company should collect and the cash flow expected to collect.
- 3) For financial guarantee contracts, credit losses are the present value of the difference between the expected payments to be made by the Company to the contract holder for credit losses incurred by the contract holder, less the amount that the Company expects to receive from the contract holder, the debtor or any other party.
- 4) For a financial asset that is credit-impaired at the balance sheet date but not purchased or originated from credit-impaired, credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

Factors reflected in the Company's approach to ECL on quantitative finance Instruments include: an unbiased probability-weighted average amount determined by evaluating a range of possible outcomes; The time value of money; Reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

###### (4) Write-down of financial assets

When the Company no longer reasonably expects the contractual cash flows of a financial asset to be recovered in whole or in part, the carrying amount of the financial asset is written down directly. Such a write-down constitutes a derecognition of the relevant financial asset.

### III Significant accounting policies, accounting estimates (continued)

#### (X) Financial instruments (continued)

##### 7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, if the following conditions are met at the same time, the net amount after offsetting is shown in the balance sheet:

- (1) The Company has a legal right to set off the recognised amounts and such legal right is currently enforceable;
- (2) The Company plans to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

#### (XI) Bills receivable

The Company is responsible for See Note III/(X) 6, Impairment of Financial Instruments for details of the method of determining and accounting for ECL on bills receivable.

When it is not possible to assess sufficient evidence of ECLs at a reasonable cost at the individual instrument level, the Company refers to historical credit loss experience, combines current conditions with its judgement of future economic conditions, and, based on credit risk characteristics, will Bills receivable are grouped into groups and ECLs are calculated on a group basis. The basis for determining the combination is as follows:

<b>Combination name</b>	<b>The basis for determining the combination</b>	<b>Accrual method</b>
Risk-free bank acceptance portfolio	The drawer has a high credit rating, has no bill default in history, has a very low risk of credit loss, and has a strong ability to fulfill its contractual cash flow obligations in the short term.	The loss allowance is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions.
Trade acceptance	The credit risk is higher than that of bank acceptance bills.	The loss allowance is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions.

### III Significant accounting policies, accounting estimates (continued)

#### (XII) Accounts receivable

See Note III(X) 6, Impairment of financial instruments for details of the Company's method of determining and accounting for ECL on accounts receivable.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the Company refers to historical credit loss experience, combines current conditions with judgement of future economic conditions, divides the accounts receivable into combinations based on credit risk characteristics, and calculates ECL on a combination basis. The basis for determining the combination is as follows:

<b>Combination name</b>	<b>The basis for determining the combination</b>	<b>Accrual method</b>
Portfolio 1: Portfolio of amounts due from customers	Customer credit risk characteristics	Based on historical credit loss experience, Loss allowance is measured in combination with current conditions and expectations of future economic conditions.

#### (XIII) Accounts receivable financing

See Note III(X) 6. Impairment of financial instruments for details of the Company's method of determining and accounting for ECL accounts receivable financing.

### III Significant accounting policies, accounting estimates (continued)

#### (XIV) Other receivables

See Note III/(X) 6. Impairment of financial instruments for details of the Company's method of determining and accounting for ECL on other receivables.

When it is not possible to assess sufficient evidence of ECL at a reasonable cost at the level of a single instrument, the Company calculates ECL on a portfolio basis by dividing other receivables into portfolios based on credit risk characteristics, with reference to historical credit loss experience, combining current conditions with judgement of future economic conditions. The basis for determining the combination is as follows:

<b>Combination name</b>	<b>The basis for determining the combination</b>	<b>Accrual method</b>
Portfolio 1: Consolidated Related Parties	Related parties within the range of receivables consolidation	The provision for bad debts is measured with reference to historical credit loss experience, in combination with current conditions and expectations of future economic conditions.
Portfolio 2: Export tax refund portfolio	Export tax refunds receivable	The provision for bad debts is measured with reference to historical credit loss experience, in combination with current conditions and expected future economic conditions.
Portfolio 3: Portfolios with low credit risk such as margin and reserve fund portfolios	Portfolios with low credit risk such as margin and reserve fund portfolios	The provision for bad debts is measured with reference to historical credit loss experience, in combination with current conditions and expected future economic conditions.
Portfolio 4: Others	Receivables other than the above	The provision for bad debts is measured with reference to historical credit loss experience, in combination with current conditions and expected future economic conditions.

### III Significant accounting policies, accounting estimates (continued)

#### (XV) Inventory

1. Classification of inventories

Inventories refer to finished goods or commodities held by the Company for sale in the ordinary course of activities, products in progress in the production process, materials and materials consumed in the production process or the provision of labor services, etc. Mainly including raw materials, work in progress, semi-finished products and finished products (inventory goods), etc.

2. Valuation method of inventories

Inventories are initially measured at cost when acquired, including purchase costs, processing costs and other costs. Inventories are issued using the moving weighted average method.

3. The basis for determining the net realisable value of inventories and the method for drawing down the provision for falling prices of inventories

After a comprehensive inventory of inventories is conducted at the end of the period, the provision for depreciation of inventories is drawn down or adjusted based on the lower of the cost of inventories and net realisable value. Inventories of goods directly for sale, such as finished goods, goods in stock and materials for sale, are determined as net realisable value in the normal course of production and operation at the estimated selling price of the inventories less estimated selling expenses and related taxes; Inventories of materials that need to be processed are determined as net realisable value in the normal course of production and operation at the estimated selling price of the finished goods produced less the estimated costs to be incurred, the estimated selling expenses and related taxes and fees to completion; The net realisable value of inventories held in execution of a sales contract or a labour contract is calculated on the basis of the contract price, if the quantity of inventories held exceeds the quantity ordered in the sales contract, the net realisable value of the excess inventories is calculated on the basis of the general selling price.

At the end of the period, provision for inventory depreciation is made based on individual inventory items; However, for inventories with large quantity and low unit price, provision for inventory depreciation shall be made according to the inventory category; Inventories that are related to product lines produced and sold in the same region, have the same or similar end use or purpose and are difficult to measure separately from other items are provided for in a consolidated manner.

If the factors affecting the previous write-down of the inventory value have disappeared, the amount of the write-down shall be restored and reversed within the amount of the original provision for inventory depreciation, and the reversed amount shall be included in the current profit or loss.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XV) Inventory (continued)**

##### 4. Inventory count system

The Group maintains a perpetual inventory system.

##### 5. Amortisation method for low-value consumables and packaging materials

- (1) Low-value consumables are written off once.
- (2) The packaging materials are sold by one-off rotation method.
- (3) Other revolving materials are amortised using the one-off write-off method.

#### **(XVI) Contract assets**

If the Company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The Company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting arrangement method of the expected credit losses of the contract assets of the Company, please refer to Impairment of financial instruments of Note III(X).

#### **(XVII) Long-term equity investment**

##### 1. Determination of initial investment cost

- (1) For the long-term equity investment formed by a business combination, see Note III/(V) Accounting Methods for Business Combinations under Same Control and under Non-same Control for specific accounting policies.
- (2) Long-term equity investments acquired by other means

Long-term equity investments acquired by cash payments are initially invested at the purchase price actually paid. Initial investment costs include expenses, taxes and other necessary expenses that are directly related to obtaining a long-term equity investment.

Long-term equity investments made by issuing equity securities, with the fair value of the issued equity securities as the initial investment cost; Transaction costs incurred in issuing or obtaining their own equity instruments are deducted from equity if they are directly attributable to equity transactions.

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

##### 1. Determination of initial investment cost (continued)

The initial investment cost of a long-term equity investment in a non-monetary asset exchange is determined on the basis of the fair value of the asset transferred, unless there is conclusive evidence that the fair value of the asset transferred is more reliable, to the extent that the non-monetary asset exchange has commercial substance and the fair value of the asset transferred or the asset transferred can be measured reliably; For the exchange of non-monetary assets that do not meet the above premise, the carrying amount of the assets exchanged and the relevant taxes payable are taken as the initial investment cost of the long-term equity investment.

Initial investment costs for long-term equity investments acquired through debt restructuring are determined on a fair value basis.

##### 2. Subsequent measurement and profit or loss recognition

###### (1) Cost method

Long-term equity investments in which the Company is able to exercise control over the investee are accounted for using the cost method and are valued at the initial investment cost, with additional or recovered investments to adjust the cost of the long-term equity investment.

Except for the declared but undistributed cash dividends or profits included in the price or consideration actually paid when the investment is obtained, the Company is recognised as current investment income in accordance with the cash dividends or profits declared and distributed by the investee.

###### (2) Equity method

The Company's long-term equity investments in associates and joint ventures are accounted for using the equity method; Some of the equity investments in associates that are indirectly held through venture capital institutions, mutual funds, trust companies or similar entities, including investment linked insurance funds, are measured at fair value through profit or loss.

The difference between the initial investment cost of the long-term equity investment and the fair value share of the identifiable net assets of the investee at the time of investment, and the initial investment cost of the long-term equity investment is not adjusted; The difference between the initial investment cost and the fair value share of the identifiable net assets of the investee at the time of investment is included in the profit or loss of the current period.

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

##### 2. Subsequent measurement and profit or loss recognition (continued)

###### (2) Equity method (continued)

After the Company obtains the long-term equity investment, it shall recognize the investment income and other comprehensive income respectively according to the share of net profit or loss and other comprehensive income realized by the investee that shall be enjoyed or shared, and adjust the book value of the long-term equity investment; The carrying amount of the long-term equity investment shall be reduced accordingly by calculating the share according to the profit or cash dividend declared to be distributed by the investee; For changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee, the carrying amount of the long-term equity investment is adjusted and included in owner's equity.

The Company recognises its share of the net profit or loss of the investee by adjusting the net profit of the investee based on the fair value of each identifiable asset of the investee at the time of investment. Profit or loss on unrealised internal transactions between the Company and associates, joint ventures are offset by the share attributable to the Company on a pro rata basis, on which basis investment profit or loss is recognised.

When the Company recognises the share of losses incurred by the investee, it is dealt with in the following order: First, the carrying amount of the long-term equity investment is written down. Secondly, if the book value of the long-term equity investment is insufficient to offset, the investment loss shall be continuously recognised to the extent of the book value of other long-term equity which in substance constitutes a net investment in the investee, and the book value of long-term receivable items shall be offset. Finally, after the above treatment, if the enterprise still assumes additional obligations according to the investment contract or agreement, the expected liabilities shall be recognized according to the expected obligations and included in the current investment loss.

Where the investee achieves profit in a subsequent period, the Company shall, after deducting the unrecognised loss contribution, proceed in the reverse order as described above, and after deducting the book balance of the recognised expected liabilities and restoring the book value of other long-term interests and long-term equity investments which in substance constitute a net investment in the investee, the Company shall resume the recognition of investment income.

##### 3. Conversion of accounting method for long-term equity investment

###### (1) Fair value measurement transferred to equity method

For equity investments that were previously held by the Company and are not subject to control, joint control or significant influence over the investee and are subject to accounting under the Financial Instrument Recognition and Measurement Standards, but are capable of exerting significant influence over the investee or exercising joint control over the investee but do not constitute control due to reasons such as additional investment, the sum of the fair value of the equity investment originally held and the cost of the additional investment determined in accordance with IAS 22—Recognition and Measurement of Financial Instruments shall be regarded as the initial cost of investment accounted for under the equity method instead.

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

##### 3. Conversion of accounting method for long-term equity investment (continued)

###### (1) Fair value measurement transferred to equity method (continued)

The initial investment cost calculated under the equity method is less than the difference between the fair value shares of the identifiable net assets of the investee at the date of the additional investment calculated and determined based on the brand-new shareholding ratio after the additional investment, and the book value of the long-term equity investment is adjusted and included in the current non-operating income.

###### (2) Fair value measurement or transfer of equity method to cost method

When preparing individual financial statements, the Company's original equity investment that does not have control, joint control or significant impact on the investee and is accounted for in accordance with the Financial Instrument Recognition and Measurement Standards, or its original long-term equity investment in an associate or joint venture that is able to control the investee that is not under the same control due to additional investment and other reasons, shall be calculated as the initial cost of investment by adding the carrying amount of the equity investment that was originally held to the cost of the additional investment in the preparation of individual financial statements.

Other comprehensive income recognised for equity investments held prior to the purchase date that are accounted for using the equity method is accounted for on the same basis as if the investee had directly disposed of the related assets or liabilities.

If the equity investment held before the purchase date is accounted for in accordance with the relevant provisions of Accounting Standard for Enterprises No.22–Recognition and Measurement of Financial Instruments, the change in the accumulated fair value originally included in other comprehensive income is transferred to the current profit or loss when it is accounted for by the cost method instead.

###### (3) From equity method to fair value measurement

Where the Company loses joint control or significant influence over the investee due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for in accordance with Accounting Standard for Enterprises No.22–Recognition and Measurement of Financial Instruments, and the difference between the fair value and the carrying value on the date when the joint control or significant influence is lost shall be included in the current profit or loss.

Other comprehensive income recognised from an original equity investment that is accounted for using the equity method is accounted for on the same basis as the related assets or liabilities directly disposed of by the investee when the equity method is discontinued.

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

##### 3. Conversion of accounting method for long-term equity investment (continued)

###### (4) Transfer of cost method to equity method

Where the Company has lost control over the investee due to the disposal of part of the equity investment or other reasons, in the preparation of individual financial statements, if the remaining equity after disposal can exercise joint control or exert significant influence on the investee, the accounting shall be changed to the equity method, and the accounting shall be adjusted by the equity method as soon as the remaining equity is deemed to have been acquired.

###### (5) Transfer of cost method to fair value measurement

Where the Company has lost control over the investee due to the disposal of part of the equity investment or other reasons, and the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee in the preparation of individual financial statements, the accounting treatment shall be carried out in accordance with the relevant provisions of Accounting Standards for Enterprises No.22—Recognition and Measurement of Financial Instruments, and the difference between fair value and carrying value on the date of loss of control shall be included in the current profit or loss.

##### 4. Disposal of long-term equity investments

For the disposal of long-term equity investment, the difference between the book value and the actual purchase price shall be included in the current profit or loss. Long-term equity investments that are accounted for using the equity method are disposed of on the same basis as the investee's direct disposal of the related assets or liabilities, accounting for the portion originally included in other comprehensive income in a corresponding proportion.

The terms, conditions and economic impact of each transaction that disposes of an equity investment in a subsidiary meet one or more of the following conditions, and multiple transactions are accounted for as a single transaction:

- (1) These transactions were entered into simultaneously or with mutual influence in mind;
- (2) These transactions as a whole can achieve a complete commercial outcome;
- (3) The occurrence of one transaction depends on the occurrence of at least one other transaction;
- (4) A transaction is uneconomical on its own, but economic when considered in conjunction with other transactions.

If the Company loses control of the original subsidiary due to the disposal of part of the equity investment or other reasons, which is not a blanket transaction, the relevant accounting treatment shall be conducted separately from the individual financial statements and the consolidated financial statements:

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

4. Disposal of long-term equity investments (continued)
  - (1) In the individual financial statements, the difference between the carrying amount of the equity disposed of and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for using the equity method instead, and the remaining equity shall be deemed to have been acquired and adjusted using the equity method; Where the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standard for Enterprises No.22–Recognition and Measurement of Financial Instruments, and the difference between its fair value and carrying value on the date of loss of control shall be included in the profit or loss of the current period.
  - (2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the capital reserve (equity premium) is adjusted for the difference between the disposal price and the corresponding share of the net assets of the entitled subsidiary calculated continuously from the date of purchase or the date of consolidation for the disposal of the long-term equity investment, or the retained earnings if the capital reserve is insufficient to offset; When control of a subsidiary is lost, the remaining equity is remeasured to its fair value at the date of loss of control. The difference between the sum of the consideration obtained on disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on a pro rata basis from the date of purchase, is included in the investment income in the period in which control is lost and goodwill is written off. Other comprehensive income relating to the equity investment of the original subsidiary is converted into current investment income when control is lost.

Where each transaction involving the disposal of an equity investment in a subsidiary until the loss of control is a blanket transaction, each transaction is accounted for as a transaction involving the disposal of an equity investment in a subsidiary and the loss of control, and the related accounting is performed separately from the individual financial statements and the consolidated financial statements:

- (1) In individual financial statements, the difference between the price of each disposal before the loss of control and the carrying amount of the long-term equity investment corresponding to the equity disposed of is recognised as other comprehensive income and is transferred to profit or loss in the period in which control is lost when control is lost.
- (2) In the consolidated financial statements, the difference between the price of each disposal before the loss of control and the share of the net assets of the subsidiary that corresponds to the disposal of the investment is recognised as other comprehensive income and is transferred to profit or loss in the period in which control is lost when control is lost.

### III Significant accounting policies, accounting estimates (continued)

#### (XVII) Long-term equity investment (continued)

##### 5. Criteria for common control and significant impact

An arrangement is considered to be jointly controlled by the Company and the other participants if the Company controls the arrangement collectively in accordance with the relevant agreement and the decision on activities that have a significant impact on the return on the arrangement exists only with the unanimous consent of the participants sharing control.

Where a joint arrangement is made through a separate entity, and it is judged according to the relevant agreement that the Company has rights to the net assets of that separate entity, the separate entity is accounted for as a joint venture using the equity method. When it is determined in accordance with the relevant agreements that the Company does not have a right to the net assets of the separate entity, the separate entity operates as a joint operation, the Company recognises items relating to the share of common operating benefits and performs accounting in accordance with the relevant accounting standards for enterprises.

Significant impact refers to the investor's power to participate in the decision-making of the financial and operating policies of the investee, but is unable to control or jointly control the formulation of these policies with other parties. The Company determines that it has significant influence on the investee by considering all facts and circumstances under one or more of the following circumstances: (1) it is represented on the board of directors or a similar authority of the investee; (2) to participate in the financial and operating policy formulation process of the investee; (3) significant transactions with the investee; (4) sending management personnel to the investee; (5) providing key technical information to the investee.

#### (XVIII) Fixed assets

##### 1. Recognition of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management and have a useful life of more than one accounting year. Fixed assets are recognised when both of the following conditions are met:

- (1) It is probable that the economic benefits associated with the fixed asset will flow to the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

### III Significant accounting policies, accounting estimates (continued)

#### (XVIII) Fixed assets (continued)

##### 2. Initial measurement of fixed assets

The Company's fixed assets are initially measured at cost.

- (1) The cost of externally purchased fixed assets includes purchase price, import duties and other related taxes and fees, as well as other expenses incurred to bring the fixed assets into their intended use that can be directly attributed to the assets.
- (2) The cost of self-constructed fixed assets consists of the expenditure necessary to construct the asset before it is ready for use.
- (3) Fixed assets invested by investors are accounted for at the value agreed in the investment contract or agreement, but those with unfair value agreed in the contract or agreement are accounted for at fair value.
- (4) Where the purchase price of a fixed asset is deferred beyond normal credit conditions and is of a financing nature in substance, the cost of the fixed asset is determined based on the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price, unless capitalised, is credited to profit or loss in the credit period.

##### 3. Subsequent measurement and disposal of fixed assets

###### (1) Depreciation of fixed assets

Depreciation of fixed assets is provided over their expected useful lives based on their recorded value less expected net residual value. For fixed assets for which an impairment allowance has been made, the amount of depreciation is determined in future periods based on the carrying amount net of the impairment allowance and based on the useful life; Fixed assets that are fully depreciated and continue to be used are not depreciated.

For fixed assets formed by using special reserve expenditures, the special reserve shall be written down according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be recognized. The depreciation of the fixed assets shall not be deducted in the following period.

### III Significant accounting policies, accounting estimates (continued)

#### (XVIII) Fixed assets (continued)

##### 3. Subsequent measurement and disposal of fixed assets (continued)

###### (1) Depreciation of fixed assets (continued)

The Company determines the useful life and expected net residual value of fixed assets based on their nature and usage. At the end of the year, the useful life, expected net residual value and depreciation method of the fixed assets are reviewed and adjusted accordingly if there are differences from the original estimates.

The depreciation method, depreciation life and annual depreciation rate of each class of fixed assets are as follows:

Category	Depreciation method	Depreciation life (years)	Residual value rate (%)	Annual depreciation rate (%)
Plant and buildings	Average age method	35-40	10.00	2.57-2.25
Machinery and equipment	Average age method	20-30	10.00	4.50-3.00
Office and other equipments	Average age method	5	10.00	18.00
Motor vehicles	Average age method	5	10.00	18.00
Plant and buildings leased out under operating leases	Average age method	40	10.00	2.25

###### (2) Subsequent expenditure on fixed assets

Subsequent expenditures relating to fixed assets that meet the conditions for recognition of fixed assets are included in the cost of fixed assets; Those that do not meet the conditions for recognition of fixed assets are included in the current profit or loss when incurred.

###### (3) Disposal of fixed assets

A fixed asset is derecognised when it is disposed of, or no economic benefits are expected from its use or disposal. Disposal income from the sale, transfer, retirement or damage of fixed assets is included in the profit or loss of the current period after deducting its carrying amount and relevant taxes and fees.

### III Significant accounting policies, accounting estimates (continued)

#### (XIX) Construction in progress

1. Initial measurement of construction in progress

The Company's own construction in progress is valued at the actual cost, which comprises the necessary expenses incurred before the asset is constructed to its intended serviceable condition, including the cost of materials used for the project, labour costs, related taxes and fees paid, borrowing costs to be capitalised and indirect costs to be apportioned.

2. The standard and time point at which construction in progress is carried forward as fixed assets

Construction-in-progress projects are accounted for as the value of fixed assets on the basis of all expenditures incurred before the asset is ready for use. If the construction-in-progress project has reached its scheduled serviceable condition but has not yet completed the final accounts, from the date when it reaches its scheduled serviceable condition, it is transferred to the fixed assets based on the estimated value according to the project budget, cost or actual cost of the project, etc., and the depreciation of the fixed assets is accrued in accordance with the Company's fixed assets depreciation policy. After the final accounts are completed, the original provisional value is adjusted based on the actual cost, but the original accrued depreciation amount is not adjusted.

#### (XX) Borrowing costs

1. Principles for recognition of capitalisation of borrowing costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization are capitalised and included in the cost of the related assets; Other borrowing costs are recognised as an expense when incurred based on the amount incurred and credited to profit or loss in the current period.

Assets eligible for capitalization are assets such as fixed assets, investment real estate and inventories that require a significant period of time to acquire, build or produce before they are ready for use or sale.

Borrowing costs are capitalised when both of the following conditions are met:

- (1) Expenditure on assets has been incurred, Expenditure on assets includes expenditure incurred in the form of payment of cash, transfer of non-cash assets or assumption of interest-bearing liabilities for the purchase, construction or production of assets that meet the conditions for capitalization;
- (2) Borrowing costs have been incurred;
- (3) The purchase, construction or production activities necessary to bring the asset to its intended use or sale have commenced.

### III Significant accounting policies, accounting estimates (continued)

#### (XX) Borrowing costs (continued)

2. Period in which borrowing costs are capitalised

The period of capitalisation refers to the period from the point when the capitalisation of borrowing costs begins to the point when the capitalisation ceases, excluding the period when the capitalisation of borrowing costs is suspended.

Capitalization of borrowing costs ceases when the acquisition, construction or production of an asset that meets the conditions for capitalization reaches its intended use or sale.

Capitalisation of borrowing costs for assets that qualify for capitalisation ceases when some of the items in the asset that qualify for capitalisation are completed separately and can be used separately.

Where each part of an asset that is purchased, constructed or produced is completed separately, but cannot be used or sold to the outside world until it is completed in its entirety, the capitalisation of borrowing costs ceases when the asset is completed in its entirety.

3. Suspension period

If the acquisition, construction or production of an asset that meets the conditions for capitalization is interrupted abnormally for more than 3 consecutive months, the capitalization of borrowing costs is suspended; Borrowing costs continue to be capitalised if the interruption is a process necessary to bring the qualifying assets acquired, constructed or produced to their intended use or sale. Borrowing costs incurred in the period of interruption are recognised in profit or loss until the acquisition, construction or resumption of production activities of the asset.

4. The method of calculating the capitalised amount of borrowing costs

Interest expense on special borrowings (net of interest income earned on deposits of unused borrowing funds with banks or investment income from temporary investments) and ancillary expenses are capitalised before the qualifying assets acquired, constructed or produced are ready for use or sale.

The amount of interest to be capitalised on general borrowings is determined by multiplying the weighted average of the asset expenditures for the portion of the accumulated asset expenditures that exceeds the specific borrowings by the capitalisation rate of the general borrowings occupied. The capitalisation rate is calculated based on the weighted average interest rate on general borrowings.

Where there is a discount or premium on the borrowing, the amount of discount or premium to be amortised in each accounting period shall be determined in accordance with the effective interest method, and the amount of interest per period shall be adjusted.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XXI) Right-of-use assets**

The Group initially measures the right-of-use assets at cost, which includes:

- (1) Initial measurement amount of lease liabilities.
- (2) For the lease payment paid on or before the lease term, if there is a lease incentive, the relevant amount of the enjoyed lease incentive shall be deducted.
- (3) Initial direct expenses incurred by the Group.
- (4) The Group's estimated costs (excluding costs incurred for the production of inventories) for the purpose of dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the status agreed in the lease terms.

After the start date of the lease term, the Company adopts the cost mode to carry out subsequent measurement on the right-of-use assets.

If the ownership of the leased asset can be reasonably determined at the end of the lease term, the Company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the end of the lease term, the Company shall accrue depreciation within the lease term or the remaining service life of the leased asset, whichever is shorter. For the right-of-use assets with provision for impairment, depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

### III Significant accounting policies, accounting estimates (continued)

#### (XXII) Intangible assets and development expenditures

Intangible assets are identifiable non-monetary assets with no physical form owned or controlled by the Company, including land use rights, etc.

##### 1. Initial measurement of intangible assets

The cost of outsourcing an intangible asset includes the purchase price, related taxes and other expenses that are directly attributable to the intended use of the asset. Where the purchase price of an intangible asset is deferred beyond normal credit conditions and is essentially of a financing nature, the cost of the intangible asset is determined based on the present value of the purchase price.

Debt restructuring obtains intangible assets used by the debtor to settle debts, determines their entry value based on the fair value of the intangible assets, and records the difference between the book value of the restructured debt and the fair value of the intangible assets used to settle debts in the current profit or loss.

Intangible assets exchanged for non-monetary assets are accounted for on the basis of the fair value of the exchanged assets, provided that the exchange of non-monetary assets is of commercial substance and the fair value of the exchanged assets can be measured reliably, unless there is conclusive evidence that the fair value of the exchanged assets is more reliable; For the exchange of non-monetary assets that do not meet the above prerequisites, the carrying amount of the assets exchanged and the related taxes payable are used as the cost of the intangible assets, and no profit or loss is recognised.

Intangible assets acquired by means of absorption and combination of enterprises under the same control are accounted for at the carrying value of the combined parties; Intangible assets acquired through mergers and acquisitions of enterprises not under the same control are valued at fair value.

The cost of an internally self-developed intangible asset includes: materials used in the development of the intangible asset, labour costs, registration fees, amortisation of other patents and concessions used in the development process and interest charges that meet the conditions for capitalisation, as well as other direct costs incurred before the intangible asset is ready for its intended use.

### III Significant accounting policies, accounting estimates (continued)

#### (XXII) Intangible assets and development expenditures (continued)

##### 2. Subsequent measurement of intangible assets

When the Company obtains intangible assets, it analyzes and judges their useful lives and classifies them into intangible assets with finite useful lives and indefinite useful lives.

##### (1) Intangible assets with finite useful lives

Intangible assets with finite useful lives are amortised on a straight-line basis over the period that brings economic benefits to the enterprise. The expected life of intangible assets with finite useful lives and the basis are as follows:

<b>Project</b>	<b>Estimated useful life</b>	<b>Basis</b>
Land use right	35-50 years	Duration of benefit

At the end of each period, the useful life and amortisation method of intangible assets with finite useful lives are reviewed and adjusted accordingly if there are differences from the original estimates.

Upon review, the useful lives and amortisation method of intangible assets at the end of the current period are not different from previous estimates.

##### (2) Intangible assets with indefinite useful lives

For an intangible asset with no foreseeable limit to the period over which it is expected to bring economic benefits to the Group, it is treated as an intangible asset with indefinite useful life. For intangible assets with indefinite useful lives, they will not be amortized during the holding period.

At the end of the period, the useful life of intangible assets with indefinite useful life is reviewed. If there is evidence that the period during which the intangible asset brings economic benefits to the Group is foreseeable, its useful life is estimated and amortized according to the amortization policy for intangible assets with limited service life.

For the impairment test of intangible assets, please refer to Note III/(XXIII) Impairment. As at the balance sheet date, the Company does not have intangible assets with indefinite useful lives.

### III Significant accounting policies, accounting estimates (continued)

#### (XXII) Intangible assets and development expenditures (continued)

3. Specific criteria for dividing the research phase and development phase of research and development projects within the Company

Research stage: The stage of original and planned investigation and research activities to acquire and understand new scientific or technological knowledge.

Development phase: the phase in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc, before commercial production or use.

Expenditures incurred in the research phase of internal research and development projects are included in profit or loss as incurred.

4. Development phase expenditures meet specific criteria for capitalisation

Expenditures incurred during the development phase of internal research and development projects are recognised as intangible assets when the following conditions are met:

- (1) it is technically feasible to complete the intangible asset so that it can be used or sold;
- (2) has the intention to complete the intangible asset and use or sell it;
- (3) the way in which the intangible asset generates economic benefits, including the ability to prove the existence of a market for the products produced using the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it is to be used internally;
- (4) having sufficient technical, financial and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset;
- (5) Expenditure attributable to the development phase of the intangible asset can be measured reliably.

The point in time when internal research and development expenditures are capitalised: a product or process, etc, formed from development is technically and commercially feasible, the Company has sufficient resources and intention to complete the development, and the expenditures at the development stage can be reliably measured.

Expenditures for the development phase that do not meet the above conditions are included in profit or loss as incurred. Development expenditures charged to profit or loss in prior periods are not recognised as assets in subsequent periods. Expenditures for the development phase that have been capitalised are shown as development expenditures on the balance sheet and are transferred to intangible assets from the date the item reaches its intended use.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XXIII) Impairment of long-term assets**

At the balance sheet date, the Company determines whether there is any indication that a long-term asset may be impaired. If there is an indication of impairment of a long-term asset, the recoverable amount is estimated on a single asset basis; Where it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group is determined based on the asset group to which the asset belongs.

The recoverable amount of an asset is estimated based on the higher of its fair value less disposal costs and the present value of the estimated future cash flows of the asset.

If the measurement result of recoverable amount indicates that the recoverable amount of the long-term asset is lower than its carrying amount, the carrying amount of the long-term asset is written down to the recoverable amount, and the written down amount is recognized as an asset impairment loss and included in the current profit or loss, and the corresponding asset impairment reserve is withdrawn. Once an impairment loss on an asset is recognised, it is not reversed in subsequent accounting periods.

Subsequent to the recognition of an impairment loss on an asset, the depreciation or amortisation expense of the impaired asset is adjusted in future periods so that the adjusted carrying amount of the asset (net of expected net residual value) is allocated on a systematic basis over the remaining useful life of the asset.

Goodwill and intangible assets with indefinite useful lives arising from business combinations are tested for impairment annually, regardless of whether there is any indication of impairment.

In the impairment test of goodwill, the carrying amount of goodwill is allocated to the asset group or group of assets that is expected to benefit from the synergies of the business combination. When performing impairment test on the relevant asset group or combination of asset groups containing goodwill, if there is any indication of impairment on the asset group or combination of asset groups related to goodwill, the impairment test shall be performed on the asset group or combination of asset groups not containing goodwill, the recoverable amount shall be calculated and compared with the relevant book value to confirm the corresponding impairment loss. An impairment test is then performed on the asset group or combination of asset groups containing goodwill. The carrying value of these related asset groups or combination of asset groups (including the carrying value portion of goodwill allocated) is compared with its recoverable amount. If the recoverable amount of the related asset group or combination of asset groups is lower than its carrying value, an impairment loss of goodwill is recognised.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XXIV) Contract liabilities**

The Company recognises the portion of the obligation to transfer goods to customers for consideration received or receivable from customers as a contract liability.

#### **(XXV) Employee benefits**

Employee remuneration refers to various forms of remuneration or compensation given by the Company to obtain services provided by employees or to dissolve labor relations. Staff remuneration includes Short-term employee benefits, post-employment benefits, termination benefits and other long-term staff benefits.

##### **1. Short-term employee benefits**

Short-term emoluments represent the emoluments of employees, other than post-employment benefits and termination benefits, that the Company is required to pay in full within twelve months after the end of the annual reporting period in which the employees render the related services. The Company recognises short-term emoluments payable as a liability in the accounting period in which the employees render the services and includes them in the cost and expense of the related assets based on the beneficiaries of the services rendered by the employees.

##### **2. Post-employment benefits**

Post-employment benefits refer to various forms of remuneration and benefits provided by the Company after the employees retire or terminate the labor relationship with the enterprise in order to obtain the services provided by the employees, except for Short-term employee benefits and dismissal benefits.

The Company's post-employment benefit plans are all defined contribution plans.

The defined contribution plan for after-service benefits is mainly to participate in social basic old-age insurance and unemployment insurance organized and implemented by local labor and social security institutions. During the accounting period in which the employees render services to the Company, the amount payable in accordance with the defined contribution plan is recognised as a liability and included in the current profit or loss or the related cost of assets.

The Company has no further payment obligations after making the above payments regularly in accordance with the standards stipulated by the state.

### III Significant accounting policies, accounting estimates (continued)

#### (XXV) Employee benefits (continued)

##### 3. Termination benefits

Termination benefits refer to the Company's termination of labor relations with employees before their labor contracts expire, or compensation given to employees in order to encourage employees to voluntarily accept the layoff. When the Company cannot unilaterally withdraw the plan for termination of labor relations or the layoff proposal, or when the Company recognizes the earlier of the two, the liability arising from compensation given for termination of labor relations with employees is recognized and included in the current profit or loss.

The Company provides retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits refer to the salaries paid to employees who have not reached the retirement age stipulated by the state and have voluntarily retired from their jobs with the approval of the Company's management, and social insurance premiums paid for them. The Company pays internal retirement benefits to retired employees from the date of commencement of internal retirement arrangements until the employees reach normal retirement age. For the retirement benefits, the Company performs accounting treatment by referring to the dismissal benefits, when the relevant recognition conditions for the dismissal benefits are met, the salaries and social insurance premiums of the retired employees to be paid during the period from the date when the employees stop providing services to the normal retirement date are recognized as liabilities and included in the current profit or loss in a lump sum. Differences arising from changes in actuarial assumptions and adjustments to benefit standards for retirement benefits are included in profit or loss as they arise.

##### 4. Other long-term employee benefits

Other long-term employee benefits are all employee benefits other than short-term salary, post-employment benefits and termination benefits.

For other long-term employee benefits that meet the conditions of the defined contribution plan, the amount due for contribution is recognised as a liability in the accounting period in which the employee provides service to the Company and included in the current profit or loss or the related cost of assets.

### III Significant accounting policies, accounting estimates (continued)

#### (XXVI) Provisions

1. Criteria for recognition of provisions

The Company recognises an expected liability when the obligations associated with the contingency simultaneously meet the following conditions:

The obligation is a present obligation of the Company;

Fulfilment of this obligation is likely to result in outflow of economic benefits from the Company;

The amount of the obligation can be measured reliably.

2. Measurement of provisions

The Company's projected liabilities are initially measured using the best estimate of the expenditure necessary to meet the relevant present obligations.

In determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money relating to contingencies. Where the effect on the time value of money is material, the best estimate is determined by discounting the related future cash outflows.

The best estimates are dealt with as follows:

Where there is a continuous range (or interval) of expenditures required and the probabilities of various outcomes within that range are the same, the best estimate is determined based on the median of that range, which is the average of the upper and lower amounts.

There is no continuous range (or interval) of required expenditures, or there is a continuous range but the probability of occurrence of various results within the range is different, if the contingency involves a single item, the best estimate is determined based on the most probable amount; If the contingency involves more than one item, the best estimate is determined by calculating the various possible outcomes and the associated probabilities.

Where all or part of the expenses required by the Company to settle the estimated liabilities are expected to be compensated by a third party, the amount of compensation is recognised separately as an asset when it is substantially certain that it will be received, and the amount of compensation recognised does not exceed the carrying amount of the estimated liabilities.

### III Significant accounting policies, accounting estimates (continued)

#### (XXVII) Lease liability

The Company's initial measurement of the lease liability is based on the present value of the lease payments that have not been paid on the beginning of the lease period. When calculating the present value of the lease payment, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the Company uses the incremental borrowing rate as the discount rate. Lease payments include:

1. The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
2. Variable lease payments depending on index or ratio;
3. When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
4. When the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
5. The expected payment due to the residual value of the guarantee provided by the Company.

The Company calculates the interest expense of the lease liability in each period of the lease term according to a fixed discount rate, and it is included into the current profit and loss or related asset costs.

Variable lease payments that are not included into the measurement of lease liabilities should be included into current profit or loss or related asset costs when they actually occur.

### III Significant accounting policies, accounting estimates (continued)

#### (XXVIII) Revenue

##### 1. General principles for revenue recognition

The Company recognises revenue at the transaction price allocated to a contractual performance obligation when the customer obtains control of the related goods or services.

A performance obligation is a contract whereby the Company conveys a clearly identifiable good or service to a customer.

Obtaining control over the relevant commodity means being able to dominate the use of the commodity and obtain substantially all of the economic benefits therefrom.

The Company assesses a contract at the commencement date of the contract, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a time period or at a point in time. A performance obligation that is performed within a certain period of time if one of the following conditions is met, and the Company recognises revenue over a period of time based on the performance schedule: (1) the customer obtains and consumes the economic benefits brought about by the Company's performance while the Company performs; (2) the customer is able to control the goods under construction during the Company's performance; (3) Commodities produced in the course of the Company's performance have an irreplaceable use and the Company is entitled to payment for the performance completed to date accumulated throughout the contract period. Otherwise, the Company recognises revenue when the customer obtains control of the related goods or services.

For performance obligations performed within a certain period of time, the Company uses the output method to determine the appropriate performance schedule based on the nature of the goods and services. The output method determines the performance progress based on the value of the goods transferred to the customer to the customer (the input method determines the performance progress based on the Company's inputs to fulfill the performance obligations). When the performance schedule cannot be reasonably determined, if the Company expects to be compensated for the costs already incurred, revenue is recognised based on the amount of costs already incurred until the performance schedule can be reasonably determined.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XXVIII) Revenue (continued)**

##### **2. Specific method of revenue recognition**

General sales: Sales are recognised when control of the product is transferred to the customer (i.e, the product is delivered to the customer) and there are no outstanding obligations that could affect the customer's acceptance of the product. Based on the delivery terms of the products as stipulated in the sales contracts signed with the customers, the products are deemed to have been delivered when the risk of damage has been transferred to the customers when the products have arrived at a specific location (including a designated ship at the port of shipment, a designated delivery point at home and abroad, etc.) and the customers have received the products in accordance with the sales contracts.

Sales on consignment: Sales business in which quality acceptance is performed when the customer uses the products and payment is made based on the quantity of products actually used, as agreed in the sales contract, are considered delivered when the customer uses the products.

#### **(XXIX) Contract cost**

##### **1. Contract performance cost**

The Company recognises as an asset the cost of performing a contract that it incurs to perform the contract that is outside the scope of accounting standards for enterprises other than revenue standards and that simultaneously meets the following conditions:

- (1) the cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar), costs that are clearly attributable to the customer, and other costs that are incurred solely as a result of the contract;
- (2) The cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;
- (3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortisation period at initial recognition exceeds a normal operating cycle.

##### **2. Contract acquisition cost**

Incremental costs incurred by the Company in obtaining a contract that are expected to be recovered are recognised as contract acquisition costs as an asset. Incremental costs are costs that the Company would not have incurred without obtaining a contract, such as sales commissions. Where the amortisation period does not exceed one year, it is included in the current profit or loss when incurred.

### III Significant accounting policies, accounting estimates (continued)

#### (XXIX) Contract cost (continued)

##### 3. Amortisation of contract costs

The above assets relating to contract costs are amortised at the point in time when the performance obligation is satisfied or in accordance with the progress of the performance obligation, on the same basis as the recognition of income from goods or services relating to the asset, and are included in the profit or loss of the current period.

##### 4. Impairment of contract costs

Where the carrying value of the above assets relating to contract costs is higher than the difference between the remaining consideration expected to be obtained by the Company from the transfer of the commodities related to the assets and the cost estimated to be incurred for the transfer of the related commodities, the excess shall be provided for impairment and recognised as an asset impairment loss.

After the provision for impairment is made, if the difference between the above two items is higher than the carrying amount of the asset due to changes in the factors of impairment in previous periods, the original provision for impairment of the asset is reversed and included in the current profit or loss, but the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset on the reversal date assuming no provision for impairment is made.

#### (XXX) Government grants

##### 1. Type

Government grants are monetary assets and non-monetary assets obtained by the Company from the government free of charge. Government grants are divided into asset-related government grants and revenue-related government grants based on the recipients of grants as specified in the relevant government documents.

Government grants relating to assets represent government grants obtained by the Company to purchase, build or otherwise form long-term assets. Revenue-related government grants are government grants other than those relating to assets.

##### 2. Recognition of government grants

At the end of the period, if there is evidence that the company can meet the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds, the government subsidy is recognised at the amount receivable. In addition, government grants are recognised when actually received.

Government grants that are monetary assets are measured at the amount received or receivable. Government grants that are non-monetary assets are measured at fair value; Where the fair value cannot be reliably obtained, it is measured at nominal amount (RMB1.00). Government grants measured at nominal amounts are credited directly to profit or loss for the current period.

### III Significant accounting policies, accounting estimates (continued)

#### (XXX) Government grants (continued)

##### 3. Accounting treatment

The Company determines whether a class of government subsidy business should be accounted for using the gross method or the net method based on the substance of the economic business. Generally, the Company selects only one approach for similar or similar government-subsidized business and applies that approach consistently to that business.

<b>Items</b>	<b>Accounting content</b>
Categories of government grants accounted for using the gross method	Related to revenue
Categories of government grants accounted for using the net method	Asset-related

Government grants relating to assets should be written down against the carrying amount of the related assets or recognised as deferred revenue. Government grants relating to assets that are recognised as deferred revenue are credited to profit or loss in a reasonable and systematic manner over the useful lives of the assets constructed or purchased.

Government grants relating to revenue that are used to compensate an enterprise for related expenses or losses in subsequent periods are recognised as deferred revenue and are included in the current profit or loss or charged to related costs in the period in which the related expenses or losses are recognised; Those used to compensate the related expenses or losses incurred by the enterprise are directly included in the current profit or loss or related costs when obtained.

Government grants relating to the day-to-day activities of the enterprise are included in other income or offset against related costs and expenses; Government grants that are not related to the daily activities of the enterprise are included in the non-operating income and expenses.

Receiving government subsidies related to preferential policy loan interest discounts to offset the related borrowing costs; Where a loan is obtained at a preferential policy interest rate provided by the lending bank, the recorded value of the loan shall be the amount of the loan actually received, and the relevant borrowing costs shall be calculated based on the principal of the loan and the preferential policy interest rate.

If the recognised government grants need to be returned, the carrying amount of the relevant assets is written down on initial recognition, and the carrying amount of the assets is adjusted; Where there is a relevant deferred revenue balance, the relevant deferred revenue book balance is written down, and the excess is included in the current profit or loss; If there is no relevant deferred revenue, it is directly included in the current profit or loss.

### III Significant accounting policies, accounting estimates (continued)

#### (XXXI) Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are recognised on the basis of the difference (temporary difference) between the tax basis of the assets and liabilities and their carrying amounts. At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that apply in the period in which the asset is expected to be recovered or the liability is settled.

##### 1. Basis for recognition of deferred income tax assets

The Company recognises deferred income tax assets arising from deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised and deductible losses and tax deductions can be carried forward to future years. However, deferred income tax assets that arise from the initial recognition of an asset or liability in a transaction that simultaneously: (2) When the transaction occurs, neither accounting profit nor taxable income nor deductible losses will be affected.

Deferred income tax assets are recognised for deductible temporary differences associated with investments in associates that meet the following conditions: it is probable that the temporary differences will reverse in the foreseeable future and it is probable that taxable income will be available against which the deductible temporary differences can be utilised.

##### 2. Basis for recognition of deferred income tax liabilities

Deferred income tax liabilities are recognised for taxable temporary differences that are due and unpaid between the current and prior periods. But does not include:

- (1) temporary differences arising from the initial recognition of goodwill;
- (2) a temporary difference arising from a transaction or event that is not a business combination and that affects neither accounting profit nor taxable income (or deductible losses) when the transaction or event occurs;
- (3) For taxable temporary differences associated with investments in subsidiaries and associates, the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

### **III Significant accounting policies, accounting estimates (continued)**

#### **(XXXI) Deferred income tax assets and deferred income tax liabilities (continued)**

3. Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met:
  - (1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;
  - (2) Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax administration department on the same taxable entity or different taxable entities, however, in the future period when each significant deferred income tax asset and deferred income tax liability are transferred back, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and settle debts simultaneously.

#### **(XXXII) Lease**

On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If one party in a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or includes a lease.

##### **1. Spin off of lease contracts**

When the contract contains a number of separate leases, the Company will split the contract and separate leases for accounting.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the leasing standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for enterprises.

##### **2. Consolidation of lease contracts**

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

- (1) The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.
- (2) The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.

### III Significant accounting policies, accounting estimates (continued)

#### (XXXII) Lease (continued)

##### 3. Accounting for the Company as lessee

On the commencement date of leasing, the Company recognizes the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

##### (1) Short-term leases and Low-value assets leases

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

The Company does not recognize the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases. Relevant lease payments are incorporated in the cost of related assets or current profits and losses based on the straight-line method or other systematic and reasonable methods during the lease period.

The Company recognizes the right-to-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.

##### (2) Please refer to this Note (XXI) and (XXVII) to the financial statements for accounting policies of right-of-use assets and lease liability.

##### 4. Accounting for the Company as Lessor

##### (1) Classification of Leases

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

### III Significant accounting policies, accounting estimates (continued)

#### (XXXII) Lease (continued)

##### 4. Accounting for the Company as Lessor (continued)

###### (1) Classification of Leases (continued)

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.
- 4) At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- 1) If the lessee ends the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease far below the market level for the next period.

###### (2) Accounting for financial lease

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

### III Significant accounting policies, accounting estimates (continued)

#### (XXXII) Lease (continued)

##### 4. Accounting for the Company as Lessor (continued)

##### (2) Accounting for financial lease (continued)

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- 1) Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- 2) Variable rental payments depending on index or ratio.
- 3) In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- 4) The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.
- 5) Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

##### (3) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

### III Significant accounting policies, accounting estimates (continued)

#### (XXXIII) Repurchase of shares of the Company

The consideration and transaction costs paid in a share repurchase reduce shareholders' equity and no gain or loss is recognised when the shares of the Company are repurchased, transferred or cancelled.

The transfer of stock, according to the difference between the actual amount received and the carrying amount of the stock, included in the capital reserve, the capital reserve is insufficient to offset, offset the surplus reserve and undistributed profits. For the cancellation of stock, the share capital shall be reduced based on the par value of the stock and the number of shares cancelled, and the capital reserve shall be reduced based on the difference between the carrying amount of the cancelled stock and the par value, if the capital reserve is insufficient, the surplus reserve and undistributed profits shall be reduced.

#### (XXXIV) Changes in significant accounting policies and accounting estimates

##### 1. Changes in accounting policies

Contents and reasons for changes in accounting policies

Remarks

Since 1 January 2023, 2023, the Company has implemented the Accounting Standards Interpretation for Business Enterprises No. 16 issued by the Ministry of Finance in 2022, "Accounting treatment that deferred income tax related to assets and liabilities arising from single transactions is not applicable to the initial recognition exemption". (1)

Description of changes in accounting policies:

##### (1) Impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 16 on the Company

On 13 December 2022, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 16 (Cai Kuai [2022] No. 31, hereinafter referred to as the "Interpretation No. 16"). Among the accounting treatment of the three items of Interpretation No. 16, "the accounting treatment of deferred income tax related to assets and liabilities arising from individual transactions is not applicable to the exemption from initial recognition", which will be implemented as of 1 January 2023, allowing enterprises to implement ahead of schedule from the year of issuance. The Company implements the accounting treatment related to this matter this year.

The Company has implemented Interpretation No. 16 since the implementation date, which has no significant impact on the financial statements during the reporting period.

##### 2. Changes in accounting estimates

There were no changes in significant accounting estimates during the Reporting Period.

#### IV Tax

##### (I) Major taxes and tax rates of the Company

Items of taxation	Tax basis	Tax rate
Value-added tax	The output tax is calculated based on the income from sales of goods and taxable services calculated in accordance with the provisions of the tax law. after deducting the deductible input tax in the current period, the difference is the value-added tax payable.	5%, 6%, 9%, 13%
Urban maintenance and construction tax	Based on VAT payable	1%, 5%, 7%
Education surcharge	Based on VAT payable	3%
Local education surcharge	Based on VAT payable	2%
Business income tax	Taxable amount of income	15%, 25%
Property tax	Ad valorem taxation: 1.2% of 70% of the original value of the property. Levied from rent: levied at 12% of rental income.	1.2% 12%

##### Note:

According to the “Notice of Shaanxi Provincial State Administration of Taxation and Shaanxi Provincial Department of Finance on Trial Implementation of Measures for Verification and Deduction of Input Value-added Tax on Agricultural Products in Concentrated Juice Industry”, “Notice of Shanxi Provincial Department of Finance and Shanxi Provincial State Administration of Taxation on Incorporation of Verification and Deduction of Input Value-added Tax on Fruit and Vegetable Juice and Fruit and Vegetable Beverages and Other Industries”, “Notice of Dalian Municipal State Administration of Taxation and Dalian Municipal Finance Bureau on Relevant Issues Concerning Enlargement of Verification and Deduction of Input Value-added Tax on Agricultural Products”, “Notice of Shandong Provincial Department of Finance and Shandong Provincial State Administration of Taxation on Publishing the Verification and Deduction Standard of Input Tax of Value-added Tax on Some Agricultural Products such as Soybeans” and “Note of the State Administration of Taxation of Xinjiang Uygur Autonomous Region on Further Expanding the Scope of Pilot Industries for the Verification and Deduction of Input Tax Amount of Agricultural Product Value Added Tax”, Baishui Andre Juice Co., Ltd. and Liqian Yitong Juice Co., Ltd., subsidiaries of the Company, have been subject to the approved deduction of input tax of agricultural product value-added tax since January 2014, Yongji Andre Juice Co., Ltd. since December 2014, Dalian Andre Juice Co., Ltd. since April 2018, Yantai North Andre Juice Co., Ltd and Yantai Longkou Andre Juice Co., Ltd. since January 2021 and Aksu Andre Juice Co., Ltd. since May 2019. When agricultural products are purchased, the recorded value of raw materials is recognised based on the amount including tax, when finished products are sold, the approved deduction of input tax is deducted from current operating costs. As a result, the Company’s VAT to be credited at the end of the year excludes the input tax on purchased agricultural products that have not yet been sold under the approved deduction method of VAT on agricultural products.

#### IV Tax (continued)

##### (II) Preferential tax policies and basis

Except for the following subsidiaries which are entitled to tax incentives, the income tax rate applicable to the Company and domestic subsidiaries for the year is 25%, and the overseas subsidiaries of the Company are subject to income tax at the local applicable tax rates.

1. According to Announcement No. 23 of 2020 of the Ministry of finance, the State Administration of Taxation and the national development and Reform Commission on the Continuation of the Enterprise Income Tax Policy for the Western Development, Baishui Andre Juice Co., Ltd., Anyue Andre Lemon Industry Technology Co., Ltd. shall pay the enterprise income tax at the reduced tax rate of 15% from 2021 to 2030 and Aksu Andre Juice Co., Ltd. shall pay the enterprise income tax at the reduced tax rate of 15% from 2021 to 2030.
2. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Subject to the Preferential Enterprise Income Tax Policy (for Trial Implementation) (Cai Shui [2008] No.149), 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., Liqun Yitong Juice Co., Ltd., Anyue Andre Lemon Industry Technology Co., Ltd. and Aksu Andre Juice Co., Ltd., are entitled to the preferential policy of exemption from income tax for the raw juice and fruit dregs produced and sold.

##### V Notes to key items in the consolidated financial statements

*(The following monetary units are all RMB unless otherwise specified. The Closing balance refers to 30 June 2023 and the Opening balance refers to 1 January 2023.)*

###### Note 1. Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	432.65	6,289.65
Deposits with banks	205,381,136.26	224,336,148.16
Other monetary funds	—	10,000,000.00
Total	<u>205,381,568.91</u>	<u>234,342,437.81</u>
Of which: total amount deposited abroad	662,199.69	1,736,796.80

The restricted monetary funds are as follows:

Items	Closing balance	Opening balance
Deposit of letter of credit	—	10,000,000.00
Total	<u>—</u>	<u>10,000,000.00</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 2. Financial assets held for trading

Items	Closing balance	Opening balance
Subtotal of financial assets classified as at fair value through profit or loss	<b>890,640,054.65</b>	581,808,314.35
Asset management plan	<b>243,656,443.62</b>	99,189,910.28
Funds	<b>86,077,700.00</b>	25,480,000.00
Investment in equity instruments	<b>102,790,270.28</b>	153,896,854.51
Net worth financial products	<b>458,115,640.75</b>	303,241,549.56
Total	<b>890,640,054.65</b>	581,808,314.35

### Note 3. Bills receivable

1. Bills receivable are presented by category

Items	Closing balance	Opening balance
Bank's acceptance bill	<b>233,227.50</b>	4,662,800.00
Total	<b>233,227.50</b>	4,662,800.00

As at 30 June 2023, the Company believes that the bills receivable held by the Company do not have significant credit risk and will not cause significant losses due to the default of banks or other issuers. The Company has no pledged notes receivable.

2. At the end of the period, the Company has no endorsed or discounted notes receivable that have not yet matured on the balance sheet date.

### Note 4. Accounts receivables

1. Disclosure of trade receivables by age

Aging	Closing balance	Opening balance
Within 6 months (inclusive)	<b>152,653,850.63</b>	179,004,825.57
6 months to 1 year (inclusive)	<b>60,846,996.91</b>	57,964,992.38
1 to 2 years (inclusive)	–	843,830.45
Subtotal	<b>213,500,847.54</b>	237,813,648.40
Less: loss allowance	<b>14,135,918.12</b>	17,376,812.53
Total	<b>199,364,929.42</b>	220,436,835.87

Note: Accounts receivable are aged based on the month in which the business bill actually occurs, and the first payment is settled first when the capital turnover.

## V Notes to key items in the consolidated financial statements (continued)

### Note 4. Accounts receivables (continued)

#### 2. Classified disclosure by bad debt provision accrual method

Type	Book balance		Closing balance Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	213,500,847.54	100.00	14,135,918.12	6.62	199,364,929.42
Where: Portfolio of amounts due from customers	<u>213,500,847.54</u>	<u>100.00</u>	<u>14,135,918.12</u>	<u>6.62</u>	<u>199,364,929.42</u>
<b>Total</b>	<b><u>213,500,847.54</u></b>	<b><u>100.00</u></b>	<b><u>14,135,918.12</u></b>	<b><u>6.62</u></b>	<b><u>199,364,929.42</u></b>

Type	Book balance		Opening balance Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	237,813,648.40	100.00	17,376,812.53	7.31	220,436,835.87
Where: Portfolio of amounts due from customers	<u>237,813,648.40</u>	<u>100.00</u>	<u>17,376,812.53</u>	<u>7.31</u>	<u>220,436,835.87</u>
<b>Total</b>	<b><u>237,813,648.40</u></b>	<b><u>100.00</u></b>	<b><u>17,376,812.53</u></b>	<b><u>7.31</u></b>	<b><u>220,436,835.87</u></b>

## V Notes to key items in the consolidated financial statements (continued)

### Note 4. Accounts receivables (continued)

#### 3. Accounts receivable with expected credit losses by portfolio

##### (1) Portfolio of amounts due from customers

Aging	Closing balance		Accrual percentage (%)
	Book balance	Bad-debt provision	
Not past due	204,030,367.02	12,241,822.02	6.00
Within 30 days overdue	<u>9,470,480.52</u>	<u>1,894,096.10</u>	<u>20.00</u>
Total	<u><u>213,500,847.54</u></u>	<u><u>14,135,918.12</u></u>	<u><u>6.62</u></u>

#### 4. Provision for bad debts withdrawn, recovered or reversed in the current period

Type	Opening balance	Provision	Changes in current period			Closing balance
			Recovery or reversal	Cancel after verification	Other changes	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	17,376,812.53	-	3,240,894.41	-	-	14,135,918.12
Where: Portfolio of amounts due from customers	<u>17,376,812.53</u>	<u>-</u>	<u>3,240,894.41</u>	<u>-</u>	<u>-</u>	<u>14,135,918.12</u>
Total	<u><u>17,376,812.53</u></u>	<u><u>-</u></u>	<u><u>3,240,894.41</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>14,135,918.12</u></u>

#### 5. The Company has no accounts receivable that has actually written off during the reporting period.

#### 6. Five largest accounts receivable by debtor at the end of the period

	Closing balance	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the top five accounts receivable by debtor in the closing balance	<u><u>119,361,166.90</u></u>	<u><u>55.91</u></u>	<u><u>7,656,307.82</u></u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 5. Advance payment

1. Prepayments are presented by age

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	<u>19,806,092.05</u>	<u>100.00</u>	<u>619,044.11</u>	<u>100.00</u>
Total	<u><u>19,806,092.05</u></u>	<u><u>100.00</u></u>	<u><u>619,044.11</u></u>	<u><u>100.00</u></u>

As at 30 June 2023, the Company has no prepayments with an aging of over 1 year.

2. Top five prepayments of ending balance by prepayment object

Items	Closing balance	Percentage of total prepayments (%)
Summary of the top five prepaid payments in the closing balance	<u><u>17,461,094.00</u></u>	<u><u>88.16</u></u>

### Note 6. Other receivables

Items	Closing balance	Opening balance
Other receivables	<u>811,779.05</u>	<u>26,795,468.30</u>
Total	<u><u>811,779.05</u></u>	<u><u>26,795,468.30</u></u>

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

V Notes to key items in the consolidated financial statements (continued)

Note 6. Other receivables (continued)

(I) Other receivables

1. Disclosure by age

<b>Aging</b>	<b>Closing balance</b>	Opening balance
Within 1 year	<b>690,404.75</b>	27,903,775.25
1-2 years	<b>17,027.94</b>	211,544.94
2-3 years	<b>30,000.00</b>	32,900.00
3-4 years	<b>121,808.42</b>	116,952.26
	<hr/>	<hr/>
Subtotal	<b>859,241.11</b>	28,265,172.45
Less: loss allowance	<b>47,462.06</b>	1,469,704.15
	<hr/>	<hr/>
Total	<b>811,779.05</b>	26,795,468.30
	<hr/> <hr/>	<hr/> <hr/>

2. Breakdown by nature of amounts

<b>Nature of money</b>	<b>Closing balance</b>	Opening balance
Deposits, petty cash, cash pledge	<b>226,806.00</b>	194,270.00
Others	<b>632,435.11</b>	1,420,902.45
Equity disposal receivable	-	26,650,000.00
	<hr/>	<hr/>
Subtotal	<b>859,241.11</b>	28,265,172.45
Less: loss allowance	<b>47,462.06</b>	1,469,704.15
	<hr/>	<hr/>
Total	<b>811,779.05</b>	26,795,468.30
	<hr/> <hr/>	<hr/> <hr/>

3. Disclosed in three stages of impairment of financial assets

<b>Items</b>	<b>Closing balance</b>			<b>Opening balance</b>		
	<b>Book balance</b>	<b>Bad-debt provision</b>	<b>Book value</b>	<b>Book balance</b>	<b>Bad-debt provision</b>	<b>Book value</b>
Stage I	<u>859,241.11</u>	<u>47,462.06</u>	<u>811,779.05</u>	<u>28,265,172.45</u>	<u>1,469,704.15</u>	<u>26,795,468.30</u>
Total	<u><b>859,241.11</b></u>	<u><b>47,462.06</b></u>	<u><b>811,779.05</b></u>	<u><b>28,265,172.45</b></u>	<u><b>1,469,704.15</b></u>	<u><b>26,795,468.30</b></u>

**V Notes to key items in the consolidated financial statements (continued)**

**Note 6. Other receivables (continued)**

(I) Other receivables (continued)

4. Classified disclosure by bad debt provision accrual method

Type	Book balance		Closing balance Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	859,241.11	100.00	47,462.06	5.52	811,779.05
Where: Portfolio with low credit risk, such as margin and reserve fund portfolio	<u>859,241.11</u>	<u>100.00</u>	<u>47,462.06</u>	<u>5.52</u>	<u>811,779.05</u>
<b>Total</b>	<b><u>859,241.11</u></b>	<b><u>100.00</u></b>	<b><u>47,462.06</u></b>	<b><u>5.52</u></b>	<b><u>811,779.05</u></b>

Type	Book balance		Opening balance Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	28,265,172.45	100.00	1,469,704.15	5.20	26,795,468.30
Where: Portfolio with low credit risk, such as margin and reserve fund portfolio	<u>28,265,172.45</u>	<u>100.00</u>	<u>1,469,704.15</u>	<u>5.20</u>	<u>26,795,468.30</u>
<b>Total</b>	<b><u>28,265,172.45</u></b>	<b><u>100.00</u></b>	<b><u>1,469,704.15</u></b>	<b><u>5.20</u></b>	<b><u>26,795,468.30</u></b>

## V Notes to key items in the consolidated financial statements (continued)

### Note 6. Other receivables (continued)

#### (I) Other receivables (continued)

##### 5. Provision for bad debts of other receivables

Bad-debt provision	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Opening balance	1,469,704.15	-	-	1,469,704.15
Opening balance in the current period	-	-	-	-
Provision in current period	-	-	-	-
Return in current period	1,422,242.09	-	-	1,422,242.09
Transfer in current period	-	-	-	-
Write off in current period	-	-	-	-
Other changes	-	-	-	-
Closing balance	<u>47,462.06</u>	<u>-</u>	<u>-</u>	<u>47,462.06</u>

##### 6. Five largest other receivables by debtor at the end of the period

Name of organization	Nature of money	Closing Balance	Aging	Percentage of other receivables ending balance (%)	Bad-debt provision closing balance
Tianjin Wahaha Hongzhen Food and Beverage Trading Co., Ltd.	Deposit	100,000.00	Within 1 year	11.64	5,000.00
Huatai Property Insurance Co., Ltd. Shanghai Branch	Others	44,028.06	Within 1 year	5.12	2,201.40
Shaanxi President Enterprises Co., Ltd.	Cash pledge	30,000.00	2-3 years	3.49	6,000.00
Hu Fengchuan	Petty cash	25,000.00	Within 1 year	2.91	1,250.00
Qu Yunjiang	Petty cash	20,000.00	Within 1 year	2.33	1,000.00
Total		<u>219,028.06</u>		<u>25.49</u>	<u>15,451.40</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 7. Inventory

#### 1. Inventory classification

Items	Closing Balance			Opening balance		
	Book balance	Depreciation reserve/Provision for depreciation of contract performance cost	Book value	Book balance	Depreciation reserve/Provision for depreciation of contract performance cost	Book value
Raw materials	43,710,007.62	-	43,710,007.62	34,749,973.32	-	34,749,973.32
Work in progress	28,633,218.85	-	28,633,218.85	-	-	-
Finished goods	<u>195,034,458.07</u>	<u>385,827.50</u>	<u>194,648,630.57</u>	<u>516,870,265.63</u>	<u>800,091.95</u>	<u>516,070,173.68</u>
Total	<u>267,377,684.54</u>	<u>385,827.50</u>	<u>266,991,857.04</u>	<u>551,620,238.95</u>	<u>800,091.95</u>	<u>550,820,147.00</u>

#### 2. Provision for depreciation of inventories and provision for depreciation of contract performance cost

Items	Opening balance	Increase in current period			Decrease in current period		Closing Balance
		Provision	Others	Switch back	Resell	Others	
Finished goods	<u>800,091.95</u>	<u>-</u>	<u>-</u>	<u>110,858.62</u>	<u>303,405.83</u>	<u>-</u>	<u>385,827.50</u>
Total	<u>800,091.95</u>	<u>-</u>	<u>-</u>	<u>110,858.62</u>	<u>303,405.83</u>	<u>-</u>	<u>385,827.50</u>

### Note 8. Other current assets

Items	Closing balance	Opening balance
Input VAT recoverable	<b>24,355,781.00</b>	10,676,286.28
Short-term other debt investments	<b>124,331,000.00</b>	96,549,000.00
Equity intention deposit	<b>94,991,250.01</b>	95,166,249.89
Total	<u><b>243,678,031.01</b></u>	<u>202,391,536.17</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 9. Long-term equity investment

Investee	Opening balance	Other increases	Changes during the current period		Adjustments to other comprehensive income
			Decrease of investment	Investment gains/losses under equity method	
I. Associates					
Yantai Huatai Beverage Co., Ltd.	11,927,635.75	—	—	92,300.82	—
Subtotal	11,927,635.75	—	—	92,300.82	—
Total	11,927,635.75	—	—	92,300.82	—

Investee	Other equity changes	Movement during the current period			Closing balance	Provision for impairment Closing balance
		Cash dividends or profit declared	Provision for impairment	Others		
I. Associates						
Yantai Huatai Beverage Co., Ltd.	—	—	—	—	12,019,936.57	—
Subtotal	—	—	—	—	12,019,936.57	—
Total	—	—	—	—	12,019,936.57	—

Note: Yantai Andre Juice Beverage Co., Ltd., was renamed as “Yantai Huatai Beverage Co., Ltd.” on 15 March 2023.

### Note 10. Other non-current financial assets

Items	Closing Balance	Opening balance
Equity instrument investment	632,803.57	6,000,000.00
Total	632,803.57	6,000,000.00

## V Notes to key items in the consolidated financial statements (continued)

### Note 11. Fixed assets

Items	Closing balance	Opening balance
Fixed assets	<b>723,375,129.33</b>	674,782,397.88
Liquidation of fixed assets	—	—
<b>Total</b>	<b><u>723,375,129.33</u></b>	<b><u>674,782,397.88</u></b>

#### (1) Fixed assets

##### 1. Fixed assets

Items	Plant and buildings	Machinery and equipment	Office and other equipments	Motor vehicles	Total
I. Original book value					
1. Opening balance	545,107,869.21	928,528,932.74	24,937,709.98	10,688,276.90	1,509,262,788.83
2. Increase in current period	26,632,729.65	35,770,713.04	1,049,372.72	502,514.42	63,955,329.83
Purchases	26,129,605.34	35,162,748.42	1,049,372.72	502,514.42	62,844,240.90
Transfer-in of construction in progress	—	607,964.62	—	—	607,964.62
Translation differences in foreign currency statements	503,124.31	—	—	—	503,124.31
3. Decrease in current period	99,203.12	990,407.80	15,548.04	—	1,105,158.96
Disposal or retirement	—	236,230.77	830.09	—	237,060.86
Other decreases	99,203.12	754,177.03	14,717.95	—	868,098.10
4. Closing balance	571,641,395.74	963,309,237.98	25,971,534.66	11,190,791.32	1,572,112,959.70
II. Accumulated depreciation					
1. Opening balance	175,357,676.54	586,212,961.17	20,194,709.03	7,989,473.21	789,754,819.95
2. Increase in current period	5,245,161.10	8,806,366.65	468,621.37	422,440.89	14,942,590.01
Provision for current period	5,183,809.60	8,806,366.65	468,621.37	422,440.89	14,881,238.51
Translation differences in foreign currency statements	61,351.50	—	—	—	61,351.50
3. Decrease in current period	29,082.18	578,998.17	13,818.85	—	621,899.20
Disposal or retirement	—	149,356.30	572.70	—	149,929.00
Reclassification	29,082.18	-29,082.18	—	—	—
Other decreases	—	458,724.05	13,246.15	—	471,970.20
4. Closing balance	180,573,755.46	594,440,329.65	20,649,511.55	8,411,914.10	804,075,510.76
III. Impairment allowance					
1. Opening balance	22,052,390.44	22,552,395.47	120,785.09	—	44,725,571.00
2. Increase in current period	—	—	—	—	—
3. Decrease in current period	—	63,251.39	—	—	63,251.39
Disposal or retirement	—	63,251.39	—	—	63,251.39
4. Closing balance	22,052,390.44	22,489,144.08	120,785.09	—	44,662,319.61
IV. Book value					
1. Closing carrying amount	369,015,249.84	346,379,764.25	5,201,238.02	2,778,877.22	723,375,129.33
2. Opening book value	<u>347,697,802.23</u>	<u>319,763,576.10</u>	<u>4,622,215.86</u>	<u>2,698,803.69</u>	<u>674,782,397.88</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 11. Fixed assets (continued)

#### (1) Fixed assets (continued)

##### 2. Temporarily idle fixed assets as of 30 June 2023

Category	Original value	Accumulated depreciation	Provision for impairment	Book value	Remark
Housings and buildings	2,015,336.95	1,123,744.09	—	891,592.86	—
Total	<u>2,015,336.95</u>	<u>1,123,744.09</u>	<u>—</u>	<u>891,592.86</u>	<u>—</u>

##### 3. Fixed assets leased out under operating leases

Items	Closing carrying amount
Plant and buildings	<u>14,840,436.29</u>
Total	<u>14,840,436.29</u>

The fixed assets leased out by the Company through operating leases were mainly two office buildings and an apartment building located in the Muping Economic Development Zone of Yantai City.

##### 4. Fixed assets with incomplete property rights certificates at the end of the period

Items	Book value	Reasons for not completing the property rights certificate
Plant and buildings	25,515,166.91	Newly purchased assets, currently processing property rights certificates
Total	<u>25,515,166.91</u>	

### Note 12. Construction in progress

Items	Closing balance	Opening balance
Construction in process	1,850,881.79	56,637.17
Engineering materials	776,904.92	—
Total	<u>2,627,786.71</u>	<u>56,637.17</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 12. Construction in progress (continued)

#### (1) Construction in process

##### 1. Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Yongji Peach and Hawthorn Production Line	1,771,859.39	-	1,771,859.39	-	-	-
Deodorization Project of Liqian Sewage Station	66,457.17	-	66,457.17	56,637.17	-	56,637.17
Dalian Raw Fruit Workshop	11,065.23	-	11,065.23	-	-	-
Liquan Fruit Juice Workshop	1,500.00	-	1,500.00	-	-	-
<b>Total</b>	<b>1,850,881.79</b>	<b>-</b>	<b>1,850,881.79</b>	<b>56,637.17</b>	<b>-</b>	<b>56,637.17</b>

##### 2. Changes in major construction-in-progress projects in the current period

Project name	Opening balance	Increase in current period	Current period	Other decrease for the current period	Closing balance
			transfer-in fixed assets		
Yongji Peach and Hawthorn Production Line	-	1,771,859.39	-	-	1,771,859.39
<b>Total</b>	<b>-</b>	<b>1,771,859.39</b>	<b>-</b>	<b>-</b>	<b>1,771,859.39</b>

**V Notes to key items in the consolidated financial statements (continued)**

**Note 12. Construction in progress (continued)**

(1) Construction in process (continued)

2. Changes in major construction-in-progress projects in the current period (continued)

Project name	Budget figure (ten thousand yuan)	Proportion of project investment to budget (%)	Progress (%)	Accumulated amount of interest capitalisation	Of which: the amount of interest capitalised in the current period	Current interest capitalisation rate (%)	Sources of fund
Yongji Peach and Hawthorn Production Line	4,480.00	12.40	40.00	-	-	-	Raise funds
Total	4,480.00	-	-	-	-	-	

(2) Engineering materials

Items	Closing balance			Opening balance		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Devices that have not been installed	776,904.92	-	776,904.92	-	-	-
Total	776,904.92	-	776,904.92	-	-	-

## V Notes to key items in the consolidated financial statements (continued)

### Note 13. Intangible assets

#### 1. Intangible assets

Items	Land use right	Total
I. Original book value		
1. Opening balance	121,313,268.93	121,313,268.93
2. Increase in current period	6,064,021.23	6,064,021.23
Purchases	6,064,021.23	6,064,021.23
3. Decrease in current period	-	-
4. Closing balance	127,377,290.16	127,377,290.16
II. Accumulated amortization		
1. Opening balance	32,350,185.22	32,350,185.22
2. Increase in current period	1,319,784.30	1,319,784.30
Provision for current period	1,319,784.30	1,319,784.30
3. Decrease in current period	-	-
4. Closing balance	33,669,969.52	33,669,969.52
III. Impairment allowance		
1. Opening balance	-	-
2. Increase in current period	-	-
3. Decrease in current period	-	-
4. Closing balance	-	-
IV. Book value		
1. Closing carrying amount	93,707,320.64	93,707,320.64
2. Opening book value	<u>88,963,083.71</u>	<u>88,963,083.71</u>

#### 2. Situation of land use rights without completed property rights certificates

Items	Book value	Reasons for not completing the property rights certificate
Land use right	<u>6,051,200.89</u>	Newly purchased assets, currently processing property rights certificates
Total	<u><u>6,051,200.89</u></u>	

## V Notes to key items in the consolidated financial statements (continued)

### Note 14. Goodwill

#### 1. Original carrying amount of goodwill

The name of the investee or the event forming goodwill	Opening balance	Increase in current period Formation of business combination	Decrease in current period Disposals	Closing balance
Anyue Andre Lemon Industry Technology Co., Ltd.	3,066,598.32	-	-	<b>3,066,598.32</b>
Yongji Andre Juice Co., Ltd.	4,566,292.71	-	-	<b>4,566,292.71</b>
Yantai Longkou Andre Juice Co., Ltd.	<u>1,020,683.72</u>	<u>-</u>	<u>-</u>	<b><u>1,020,683.72</u></b>
Total	<u>8,653,574.75</u>	<u>-</u>	<u>-</u>	<b><u>8,653,574.75</u></b>

Note: On 29 April 2014, the Company paid an acquisition cost of RMB52,120,000.00 to acquire the interest in Anyue Andre Lemon Industry Technology Co., Ltd. The excess of the acquisition cost over the proportionate share of the fair value of the identifiable assets and liabilities of Anyue Andre Lemon Industry Technology Co., Ltd. was recognized as goodwill relating to Anyue Andre Lemon Industry Technology Co., Ltd.

On 26 April 2011, the Company paid an acquisition cost of RMB56,201,585.00 to acquire the interest in Yongji Andre Juice Co., Ltd. The excess of the acquisition cost over the proportionate share of the fair value of the identifiable assets and liabilities of Yongji Andre Juice Co., Ltd. was recognized as goodwill relating to Yongji Andre Juice Co., Ltd.

On 13 September 2002, the Company paid an acquisition cost of RMB32,035,810.00 to acquire the interest in Yantai Longkou Andre Juice Co., Ltd. The excess of the acquisition cost over the proportionate share of the fair value of the identifiable assets and liabilities of Yantai Longkou Andre Juice Co., Ltd. was recognized as goodwill relating to Yantai Longkou Andre Juice Co., Ltd.

## V Notes to key items in the consolidated financial statements (continued)

### Note 14. Goodwill (continued)

#### 2. Provision for impairment of goodwill

The name of the investee or the event forming goodwill	Opening balance	Increase in current period Provision	Decrease in current period Disposals	Closing balance
Anyue Andre Lemon Industry Technology Co., Ltd.	3,066,598.32	-	-	3,066,598.32
Total	3,066,598.32	-	-	3,066,598.32

#### 3. Information about the asset group or combination of asset groups in which the goodwill is located

After the acquisition of Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd., their business, personnel, technology and capital are relatively independent, and the cash inflow generated is independent of the cash inflow generated by other assets or asset groups. Therefore, the whole of Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. are treated as an independent asset group for impairment test. The asset group is consistent with the asset group determined during the goodwill impairment test on the purchase date and previous years. Its composition has not changed. Working capital has been deducted when determining the book value of operating long-term assets. The composition of the asset group is consistent with the recoverable amount of the asset group.

#### 4. Goodwill impairment test process, key parameters and recognition method of goodwill impairment loss

##### (1) Goodwill impairment test process

This time, the income method is used to evaluate the recoverable amount of the corresponding asset group. The recoverable amount of the asset group is determined according to the present value of the estimated future cash flow. The estimated future cash flow is based on the five-year financial budget of the above-mentioned asset group approved by the management. The sustainable cash flow after five years is determined according to the level of the last year of the detailed forecast period.

The discount rate adopted by the Company is the pre-tax interest rate that reflects the time value of the current market currency and the specific risk of the relevant asset group.

## V Notes to key items in the consolidated financial statements (continued)

### Note 14. Goodwill (continued)

4. Goodwill impairment test process, key parameters and recognition method of goodwill impairment loss (continued)

- (2) Key parameters

The Company calculates the present value of the estimated future cash flow and discount rate of the asset group to determine the recoverable amount, and calculates the key parameters and test results of goodwill impairment as follows:

Items	Discount rate	Basis
Yongji Andre Juice Co., Ltd.	11.39%	Weighted average cost of capital
Yantai Longkou Andre Juice Co., Ltd.	12.71%	Weighted average cost of capital

It is estimated that the goodwill of the Company to Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. has not been impaired during the reporting period.

### Note 15. Deferred income tax assets and deferred income tax liabilities

1. Details of deductible temporary differences for unrecognised deferred income tax assets

Items	Closing balance	Opening balance
Deductible temporary differences	62,292,919.29	67,438,777.95
Deductible loss	4,182,478.69	3,075,174.70
Total	66,475,397.98	70,513,952.65

2. Expiration of deductible tax losses for unrecognised deferred tax assets

Age	Closing balance	Opening balance
2023	941,061.90	941,061.90
2024	53,475.07	53,475.07
2025	—	—
2026	2,003,042.50	2,003,042.50
2027	200,213.05	77,595.23
2028	984,686.17	—
Total	4,182,478.69	3,075,174.70

## V Notes to key items in the consolidated financial statements (continued)

### Note 16. Other non-current assets

Items	Closing balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Advance payment for equipment and project purchase	9,781,158.02	-	9,781,158.02	620,045.30	-	620,045.30
Total	<u>9,781,158.02</u>	<u>-</u>	<u>9,781,158.02</u>	<u>620,045.30</u>	<u>-</u>	<u>620,045.30</u>

### Note 17. Short-term borrowings

Items	Closing balance	Opening balance
Guaranteed borrowings	30,000,000.00	60,000,000.00
Domestic negotiation credit	-	50,000,000.00
Credit loans	-	20,000,000.00
Undue interest payable	23,671.23	89,680.56
Total	<u>30,023,671.23</u>	<u>130,089,680.56</u>

### Note 18. Financial liabilities held for trading

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Subtotal of financial liabilities classified as at fair value through profit or loss	-	4,408,000.00	-	4,408,000.00
Including: Derivative financial liabilities	-	4,408,000.00	-	4,408,000.00
Total	<u>-</u>	<u>4,408,000.00</u>	<u>-</u>	<u>4,408,000.00</u>

### Note 19. Accounts payable

Items	Closing balance	Opening balance
Materials and other payables	52,528,223.95	45,374,245.75
Amounts due for works and equipments	9,226,706.97	14,708,361.04
Total	<u>61,754,930.92</u>	<u>60,082,606.79</u>

Note: There are no significant accounts payable with an age of more than one year in the reporting period.

**V Notes to key items in the consolidated financial statements (continued)**

**Note 20. Contract liabilities**

1. Contract liabilities

<b>Items</b>	<b>Closing balance</b>	Opening balance
Payments received in advance	<u><b>2,075,265.24</b></u>	<u>2,750,116.53</u>
Total	<u><b>2,075,265.24</b></u>	<u>2,750,116.53</u>

**Note 21. Employee benefits payable**

1. Details of employee benefits payable:

<b>Items</b>	Opening balance	Increase in current period	Decrease in current period	<b>Closing balance</b>
Short-term employee benefits	17,446,531.89	24,179,216.72	30,148,721.20	<b>11,477,027.41</b>
Post-employment benefits – defined contribution plans	<u>652,695.37</u>	<u>2,815,744.69</u>	<u>3,467,514.57</u>	<u><b>925.49</b></u>
Total	<u><u>18,099,227.26</u></u>	<u><u>26,994,961.41</u></u>	<u><u>33,616,235.77</u></u>	<u><u><b>11,477,952.90</b></u></u>

2. Short-term employee benefits

<b>Items</b>	Opening balance	Increase in current period	Decrease in current period	<b>Closing balance</b>
Wages, bonuses, allowances and subsidies	9,433,123.18	22,067,697.58	27,554,402.03	<b>3,946,418.73</b>
Staff welfare	7,976,954.39	12,064.00	477,972.81	<b>7,511,045.58</b>
Social security contributions	1,627.59	1,470,821.07	1,471,020.87	<b>1,427.79</b>
Among them: Basic medical insurance	–	1,300,845.04	1,300,845.04	–
Work injury insurance	1,627.59	100,139.68	100,339.48	<b>1,427.79</b>
Maternity insurance	–	69,836.35	69,836.35	–
Housing fund	4,836.00	492,789.00	497,625.00	–
Labour union funds and staff education funds	<u>29,990.73</u>	<u>135,845.07</u>	<u>147,700.49</u>	<u><b>18,135.31</b></u>
Total	<u><u>17,446,531.89</u></u>	<u><u>24,179,216.72</u></u>	<u><u>30,148,721.20</u></u>	<u><u><b>11,477,027.41</b></u></u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 21. Employee benefits payable (continued)

#### 3. Defined contribution plans

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Basic pension	651,640.42	2,737,724.63	3,389,365.05	-
Unemployment insurance	<u>1,054.95</u>	<u>78,020.06</u>	<u>78,149.52</u>	<b>925.49</b>
Total	<u>652,695.37</u>	<u>2,815,744.69</u>	<u>3,467,514.57</u>	<b>925.49</b>

#### 4. Other description of Employee benefits payable

- 1) As at 30 June 2023, there were no amounts in arrears in the remuneration payable by the Company to the employees.
- 2) In accordance with the relevant PRC regulations, the Company participates in the employees' defined contribution retirement scheme arranged by the local government for its employees. The Company is required to make contributions to the retirement scheme at a specific percentage or at a specific amount of the employees' remuneration. The relevant local government authorities are responsible for all retirement liabilities of the retired employees. The Company is not subject to any other material obligation in respect of the payment of pension in respect of these plans other than the annual contributions mentioned above.
- 3) During the period (the six-month period ended 30 June 2023, Year 2022 and Year 2021), the Company had no forfeited contributions (by employers on behalf of employees who leave the defined contribution plans of the Company prior to vesting fully in such contributions) which may be used by the Company to reduce the existing level of contributions.

### Note 22. Taxes payable

Tax items	Closing balance	Opening balance
Value-added tax	<b>11,771,293.67</b>	13,276,183.18
Enterprise income tax	<b>4,702,596.30</b>	2,854,893.52
Property tax	<b>661,048.14</b>	651,340.22
Land use tax	<b>681,402.11</b>	681,402.11
Others	<u><b>2,074,190.22</b></u>	<u>2,203,244.00</u>
Total	<u><b>19,890,530.44</b></u>	<u>19,667,063.03</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 23. Other accounts payable

Items	Closing balance	Opening balance
Dividend payable	35,770,000.00	–
Other payables	2,896,025.73	1,485,027.30
Total	<u>38,666,025.73</u>	<u>1,485,027.30</u>

Note: Other payables in the above table refer to other payables after deducting interest payable and dividend payable.

#### (I) Dividend payable

Items	Closing balance	Opening balance	Reasons for non-payment for more than one year
Common stock dividends	35,770,000.00	–	
Total	<u>35,770,000.00</u>	<u>–</u>	

#### (II) Other payables

##### 1. Other payables by nature of amount

Nature of money	Closing balance	Opening balance
Quality guarantee fund	7,942.00	7,942.00
Deposits and margin	862,608.50	732,856.30
Accrued expenses	1,561,733.66	40,053.47
Others	463,741.57	704,175.53
Total	<u>2,896,025.73</u>	<u>1,485,027.30</u>

V Notes to key items in the consolidated financial statements (continued)

Note 24. Other current liabilities

Items	Closing balance	Opening balance
Output tax to be transferred	<u>80,501.02</u>	<u>295,231.42</u>
Total	<u><u>80,501.02</u></u>	<u><u>295,231.42</u></u>

Note 25. Long-term payables

Items	Closing balance	Opening balance
Long-term payables	<u>1,674,106.50</u>	<u>1,655,590.00</u>
Total	<u><u>1,674,106.50</u></u>	<u><u>1,655,590.00</u></u>

Note: Long-term payables in the above table refer to long-term payables after deducting special payables.

(I) Long-term payables

1. Long-term payables classification

Nature of money

Payable for plant ownership and  
land use rights  
Special funds for counterpart aid from Jiangsu  
and Shaanxi

Total

Closing balance	Opening balance
<u>1,044,266.50</u>	<u>1,025,750.00</u>
<u>629,840.00</u>	<u>629,840.00</u>
<u><u>1,674,106.50</u></u>	<u><u>1,655,590.00</u></u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 26. Deferred income

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance	Cause of formation
Revenue-related government grants	6,279,000.00	1,100,000.00	—	7,379,000.00	Refer to the following table for details.
Total	6,279,000.00	—	—	7,379,000.00	

#### 1. Deferred revenue in relation to government grants

Liability item	Opening balance	The amount of subsidy added in the current period	Amount included in non-operating income	Amount included in other incomes	Amount of write-down of costs and expenses in the current period	Add: other changes	Closing balance	Asset-related/revenue-related
Development and application of key technologies for deep processing of representative fruits in North China	6,279,000.00	—	—	—	—	—	6,279,000.00	Revenue-related
Provincial agricultural industrial park	—	1,100,000.00	—	—	—	—	1,100,000.00	Revenue-related
Total	6,279,000.00	1,100,000.00	—	—	—	—	7,379,000.00	

## V Notes to key items in the consolidated financial statements (continued)

### Note 27. Share capital

Items	Opening balance	Issue a new share	Give out shares	Current Period Change		Subtotal	Closing balance
				Increase (+) Conversion of provident fund into shares	Decrease (-) Others		
Total number of shares	357,700,000.00	—	—	—	—	—	357,700,000.00

### Note 28. Capital reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Equity premium	4,626,963.47	—	—	4,626,963.47
Other capital reserve	9,925.92	—	—	9,925.92
Total	4,636,889.39	—	—	4,636,889.39

### Note 29. Surplus reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Legal earned surplus reserve	150,715,498.67	—	—	150,715,498.67
Total	150,715,498.67	—	—	150,715,498.67

### Note 30. Retained earnings

Items	Current period amount	Prior period amount
Undistributed profit at end of prior period before adjustment	1,856,357,428.90	1,689,200,792.40
Adjust the total undistributed profit at the beginning of the period (increase "+", decrease "-")	—	—
Adjusted opening undistributed profit	1,856,357,428.90	1,689,200,792.40
Plus: net profit attributable to owners of the parent in the current period	163,568,849.96	194,348,828.93
Less: draw down statutory surplus reserve	—	9,307,192.43
common stock dividend payable	35,770,000.00	17,885,000.00
Undistributed profit at end of period	1,984,156,278.86	1,856,357,428.90

## V Notes to key items in the consolidated financial statements (continued)

### Note 31. Operating income and operating costs

#### 1. Operating income, operating costs

Items	Current amount incurred		Prior period occurrence	
	Income	Cost	Income	Cost
Principal businesses	494,594,684.81	337,678,262.71	564,869,304.52	421,863,868.12
Other businesses	3,050,337.68	1,445,206.81	3,746,785.94	1,430,165.51
Total	<u>497,645,022.49</u>	<u>339,123,469.52</u>	<u>568,616,090.46</u>	<u>423,294,033.63</u>

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

Classification of the contracts	Current amount incurred	Prior period occurrence
1. Type of goods		
Fruit juice and Essence	477,925,934.49	557,200,552.08
Fruit residue	16,668,750.32	7,668,752.44
2. Type of markets or customers		
America	121,120,359.16	177,171,299.96
Asia	268,913,017.70	263,875,058.68
Europe	15,287,004.70	29,288,743.12
Africa	49,308,939.69	65,483,070.17
Oceania	39,965,363.56	29,051,132.59
3. Classification by time of commodity transfer		
Transfer at a certain point in time	494,594,684.81	564,869,304.52
Transfer within a certain period of time	—	—
Total	<u>494,594,684.81</u>	<u>564,869,304.52</u>

**V Notes to key items in the consolidated financial statements (continued)**

**Note 32. Taxes and surcharges**

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Urban maintenance and construction tax	<b>1,942,799.25</b>	2,025,111.87
Surcharge for Education	<b>1,640,785.48</b>	1,791,317.82
Property tax	<b>1,658,032.15</b>	1,764,729.39
Land use tax	<b>1,611,998.29</b>	1,597,219.95
Others	<b>443,179.40</b>	403,890.39
	<hr/>	<hr/>
Total	<b><u>7,296,794.57</u></b>	<b><u>7,582,269.42</u></b>

**Note 33. Selling and distribution expenses**

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Payroll and welfare	<b>1,092,094.27</b>	916,152.61
Sales commission	<b>55,937.03</b>	805,184.89
Others	<b>431,274.33</b>	310,041.44
	<hr/>	<hr/>
Total	<b><u>1,579,305.63</u></b>	<b><u>2,031,378.94</u></b>

**Note 34. General and administrative expenses**

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Payroll and welfare	<b>9,917,431.90</b>	9,642,472.87
Depreciation and amortisation charges	<b>3,487,612.49</b>	3,564,015.67
Repair and motor vehicle expenses	<b>36,397.97</b>	63,370.12
Temporary shutdown expenses	<b>-</b>	1,739,912.88
Auditors' remuneration		
Including: Statutory audit fees	<b>867,924.50</b>	688,679.23
Other fees	<b>141,509.43</b>	-
Other intermediary consulting fees	<b>490,899.52</b>	960,493.03
Office and travel expenses	<b>632,506.16</b>	373,464.85
Others	<b>3,517,155.50</b>	986,823.79
	<hr/>	<hr/>
Total	<b><u>19,091,437.47</u></b>	<b><u>18,019,232.44</u></b>

## V Notes to key items in the consolidated financial statements (continued)

### Note 35. Research and development expenses

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Employee compensation	1,964,668.92	1,535,926.37
Depreciation and amortisation	224,094.66	229,853.25
Experimental materials and inspection fee	440,995.76	269,947.53
Others	153,412.97	86,999.41
Total	<u>2,783,172.31</u>	<u>2,122,726.56</u>

### Note 36. Financial expenses

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Interest expense	914,951.61	891,710.94
Less: interest income	6,576,022.27	2,403,719.06
Exchange gain or loss	-7,082,987.31	-29,322,935.04
Bank charges	80,663.60	1,602,477.87
Total	<u>-12,663,394.37</u>	<u>-29,232,465.29</u>

### Note 37. Other income

#### 1. Details of other income

<b>Sources of other income</b>	<b>Current amount incurred</b>	Prior period occurrence
Government subsidy	2,528,425.00	798,338.00
Refund of personal income tax handling fee	9,783.64	1,665.29
Total	<u>2,538,208.64</u>	<u>800,003.29</u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 37. Other income (continued)

#### 2. Government grants included in other income

Items	Current amount incurred	Prior period occurrence	Asset-related or Related to revenue
Industrial development fund	–	10,000.00	Related to revenue
Foreign trade subsidies	–	744,178.00	Related to revenue
Work-for-training grant	–	18,160.00	Related to revenue
Fund subsidy from the Management Committee of Muping Economic Development Zone	<b>788,900.00</b>	–	Related to revenue
Listing subsidy	<b>1,600,000.00</b>	–	Related to revenue
Subsidy for pest prevention and control at plant protection stations in 2022	<b>40,000.00</b>	–	Related to revenue
Others	<b>7,275.00</b>	2,000.00	Related to revenue
Preferential policy of tax refund for ex-servicemen	<b>92,250.00</b>	24,000.00	Related to revenue
	<u><b>2,528,425.00</b></u>	<u>798,338.00</u>	
Total	<b>2,528,425.00</b>	798,338.00	

### Note 38. Investment income

#### 1. Details of investment income

Items	Current amount incurred	Prior period occurrence
Gain from long-term equity investment under equity method	<b>92,300.82</b>	–
Investment income in the period in which financial asset hold for trading are held	<b>1,377,008.00</b>	1,255,000.00
Investment gain from disposal of financial asset hold for trading	<b>35,091,946.35</b>	33,910,561.83
Investment income in the period in which other debt investments are held	<b>988,879.00</b>	–
Investment income from disposal of other debt investments	<b>273,724.00</b>	–
	<u><b>37,823,858.17</b></u>	<u>35,165,561.83</u>
Total	<b>37,823,858.17</b>	35,165,561.83

## V Notes to key items in the consolidated financial statements (continued)

### Note 39. The change of income fair value

<b>Sources of revenue from changes in fair value</b>	<b>Current amount incurred</b>	Prior period occurrence
Financial assets held for trading	-12,875,897.55	-36,917,030.87
Financial liabilities held for trading	-4,408,000.00	-
Total	<u>-17,283,897.55</u>	<u>-36,917,030.87</u>

### Note 40. Credit impairment loss

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Impairment loss of accounts receivables	3,240,894.41	-3,216,040.53
Impairment loss of other receivables	1,422,242.09	-15,922.91
Total	<u>4,663,136.50</u>	<u>-3,231,963.44</u>

### Note 41. Asset impairment loss

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Loss on depreciation of inventories and impairment loss of contract performance cost	110,858.62	184,828.69
Impairment loss on fixed assets	-	-9,640,576.71
Total	<u>110,858.62</u>	<u>-9,455,748.02</u>

### Note 42. Proceeds from disposal of assets

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Gains or losses on disposal of fixed assets	-	2,568.45
Total	<u>-</u>	<u>2,568.45</u>

V Notes to key items in the consolidated financial statements (continued)

Note 43. Non-operating income

Items	Current amount incurred	Prior period occurrence	Included in current non-recurring profit or loss
Others	<u>9.96</u>	23,123.57	<u>9.96</u>
Total	<u><u>9.96</u></u>	<u><u>23,123.57</u></u>	<u><u>9.96</u></u>

Note 44. Non-operating expenses

Items	Current amount incurred	Prior period occurrence	Included in current non-recurring profit or loss
Losses from scrapping of fixed assets	<u>3,241.54</u>	734.86	<u>3,241.54</u>
Others	<u>-</u>	235,525.87	<u>-</u>
Total	<u><u>3,241.54</u></u>	<u><u>236,260.73</u></u>	<u><u>3,241.54</u></u>

Note 45. Income tax expense

1. Income tax expense statement

Items	Current amount incurred	Prior period occurrence
Current income tax	<u>4,714,320.20</u>	<u>24,328.66</u>
Total	<u><u>4,714,320.20</u></u>	<u><u>24,328.66</u></u>

V Notes to key items in the consolidated financial statements (continued)

Note 45. Income tax expense (continued)

2. Accounting profit and income tax expense adjustment process

Items	Current amount incurred
Total profit	168,283,170.16
Income tax expense at statutory applicable tax rates	42,070,792.56
The effect of applying different tax rates to subsidiaries	-3,815,420.90
Effect of adjustments to prior period income taxes	-
Impact of non-taxable income	-32,869,175.11
Non-deductible costs, expenses and losses	699,494.15
Extra deductions for R&D expenses	-678,842.90
Impact of the use of deductible losses from deferred income tax assets not recognised in prior periods	-
The effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current period	-692,527.60
Income tax expense	<u>4,714,320.20</u>

Note 46. Notes to the statement of cash flows

1. Cash received relating to other operating activities

Items	Current amount incurred	Prior period occurrence
Other operating income	3,050,337.68	3,746,785.94
Government subsidy	3,638,208.64	7,691,003.29
Other current accounts	<u>6,802,797.52</u>	<u>799,901.07</u>
Total	<u>13,491,343.84</u>	<u>12,237,690.30</u>

2. Cash paid relating to other operating activities

Items	Current amount incurred	Prior period occurrence
Fees and other expenses paid, etc.	<u>6,687,349.57</u>	<u>6,460,921.95</u>
Total	<u>6,687,349.57</u>	<u>6,460,921.95</u>

V Notes to key items in the consolidated financial statements (continued)

Note 46. Notes to the statement of cash flows (continued)

3. Cash received relating to other investing activities

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Interest income	<u>3,337,036.63</u>	<u>2,048,987.16</u>
Total	<u><u>3,337,036.63</u></u>	<u><u>2,048,987.16</u></u>

4. Cash received relating to other financing activities

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Cash received from letter of credit negotiation	<u>–</u>	<u>50,000,000.00</u>
Total	<u><u>–</u></u>	<u><u>50,000,000.00</u></u>

5. Cash paid relating to other financing activities

<b>Items</b>	<b>Current amount incurred</b>	Prior period occurrence
Share repurchase	–	32,622,709.52
Bills discounted and letters of credit due for negotiation	–	60,000,000.00
Credit financing interest deduction	<u>–</u>	<u>1,292,166.67</u>
Total	<u><u>–</u></u>	<u><u>93,914,876.19</u></u>

## V Notes to key items in the consolidated financial statements (continued)

### Note 47. Supplementary information to the statement of cash flows

#### 1. Supplementary information to the statement of cash flows

Items	Current amount	Prior period amount
1. Reconciliation of net profit to cash flows from operating activities		
Net profits	<b>163,568,849.96</b>	130,924,840.18
Plus: credit impairment loss	<b>-4,663,136.50</b>	3,231,963.44
provision for impairment of assets	<b>-110,858.62</b>	9,455,748.02
depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	<b>14,942,590.01</b>	14,736,993.12
depreciation of right-of-use assets	-	-
amortization of intangible assets	<b>1,319,784.30</b>	1,429,884.22
amortization of long-term prepaid expenses	-	-
loss on disposal of fixed assets, intangible assets and other long-term assets (Revenue is filled with "-")	-	-2,568.45
loss from retirement of fixed assets (gains are filled with "-")	<b>3,241.54</b>	734.86
loss on changes in fair value (gains are filled with "-")	<b>17,283,897.55</b>	36,917,030.87
finance expenses (revenue is filled with "-")	<b>-10,811,497.34</b>	-14,851,009.76
investment losses (gains are filled with "-")	<b>-37,823,858.17</b>	-35,165,561.83
decrease in deferred income tax assets (increase is indicated by "-")	-	-
increase in deferred income tax liabilities (decrease is indicated by "-")	-	-
decrease in inventories (increase is indicated by "-")	<b>284,242,554.41</b>	326,537,000.02
decrease in operating receivables (increase is indicated by "-")	<b>19,883,785.94</b>	-81,775,908.99
increase in operating payables (decrease is indicated by "-")	<b>-17,897,687.10</b>	41,158,905.36
others	-	-
Net cash flows from operating activities	<b>429,937,665.98</b>	432,598,051.06
2. Net changes in cash and cash equivalents		
Closing balance of cash	<b>205,381,568.91</b>	508,987,708.58
Less: opening balance of cash	<b>224,342,437.81</b>	374,620,946.62
Plus: ending balance of cash equivalents	-	-
Less: opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<b>-18,960,868.90</b>	134,366,761.96

**V Notes to key items in the consolidated financial statements (continued)**

**Note 47. Supplementary information to the statement of cash flows (continued)**

2. Net cash paid for acquiring subsidiaries during the current period

<b>Items</b>	Prior period occurrence
Cash or cash equivalents paid for business combinations in the current period	59,906,390.20
Of which: Aksu Andre Juice Co., Ltd.	59,906,390.20
Less: Cash and cash equivalents held by the company on the date of purchase	-
Plus: Cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	-
Net cash paid for acquiring subsidiaries	<u>59,906,390.20</u>

3. Net cash received from the disposal of the subsidiaries during the period

<b>Items</b>	Amount
Cash or cash equivalents received from the disposal of subsidiaries in the current period	-
Less: cash and cash equivalents held by the subsidiary on the day when control is lost	-
Plus: cash or cash equivalents received in the current period from the disposal of the subsidiary in the previous period	26,650,000.00
Of which: Yantai Huatai Beverage Co., Ltd.	26,650,000.00
Net cash received from disposal of subsidiaries	<u>26,650,000.00</u>

Note: Yantai Andre Juice Beverage Co., Ltd., was renamed as “Yantai Huatai Beverage Co., Ltd.” on 15 March 2023.

## V Notes to key items in the consolidated financial statements (continued)

### Note 47. Supplementary information to the statement of cash flows (continued)

#### 4. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	<b>205,381,568.91</b>	224,342,437.81
Of which: cash on hand	<b>432.65</b>	6,289.65
bank deposits available for payment at any time	<b>205,381,136.26</b>	224,336,148.16
II. Balance of cash and cash equivalents at the end of the period	<b><u>205,381,568.91</u></b>	<b><u>224,342,437.81</u></b>

### Note 48. Monetary items in foreign currencies

#### 1. Monetary items in foreign currencies

Items	Closing foreign currency balance	Translation rate	Closing translation of RMB balance
Cash at bank and cash on hand			
Of which: USD	<b>7,697,425.08</b>	7.2258	55,620,054.11
Euro	<b>0.05</b>	7.8771	0.39
Hong Kong dollar	<b>520,988.95</b>	0.92198	480,341.39
Accounts receivable			
Of which: USD	<b>21,615,485.02</b>	7.2258	156,189,171.68
Accounts payable			
Of which: USD	<b>265,477.81</b>	7.2258	1,918,289.55
Other payables			
Of which: USD	<b>495.00</b>	7.2258	3,576.77

### Note 49. Government subsidy

#### 1. Basic information on government subsidies

Types of government grants	Current amount incurred	Amount credited to profit or loss for the current period	Remarks
Government grants included in other income	<b>2,528,425.00</b>	2,528,425.00	See Note 37 in Note V for details
Government grants included in deferred income	<b>1,100,000.00</b>	—	See Note 26 in Note V for details
Total	<b><u>3,628,425.00</u></b>	<b><u>2,528,425.00</u></b>	

## VI Changes in the scope of consolidation

### (I) Changes in the scope of consolidation due to other reasons

On 23 April 2023, our wholly-owned subsidiary Baishui Andre Juice Co., Ltd. invested and established Aksu Andre Juice Co., Ltd. with a registered capital of RMB10,000,000.00. On 29 May 2023, the Company subscribed to a capital increase of RMB70,000,000.00 for Aksu Andre Juice Co., Ltd. (as of 30 June 2023, RMB60,000,000.00 had been paid). After the increase, the registered capital of Aksu Andre Juice Co., Ltd. increased to RMB80,000,000.00, with our company holding 87.50% of the shares and Baishui Andre Juice Co., Ltd. holding 12.50%.

## VII Interests in other entities

### (I) Equity in subsidiaries

#### 1. Composition of enterprise groups

Name of subsidiary	Place of business	Place of registration and place of business	Business nature	Shareholding (%)		Method of obtaining
				Direct	Indirect	
Baishui Andre Juice Co., Ltd.	Shaanxi Province, China	Shaanxi Province, China	Production and sale of concentrated fruit juice	74.44	25.56	Acquisition of establishment
Yantai Longkou Andre Juice Co., Ltd.	Shandong province, China	Shandong province, China	Production and sale of concentrated fruit juice	39.66	60.34	Acquisition of establishment
Xuzhou Andre Juice Co., Ltd.	Jiangsu Province, China	Jiangsu Province, China	Production and sale of concentrated fruit juice	75.00	25.00	Acquisition of establishment
Andre Juice Co., Ltd.	British Virgin Islands	British Virgin Islands	Investment holding	100.00	-	Acquisition of establishment
North Andre Juice (USA), Inc.	United States of America	United States of America	Concentrated fruit juice sales	-	100.00	Acquisition of establishment
Dalian Andre Juice Co., Ltd.	Liaoning province, China	Liaoning province, China	Production and sale of concentrated fruit juice	83.22	16.78	Acquisition of establishment
Yongji Andre Juice Co., Ltd.	Shanxi Province, China	Shanxi Province, China	Production and sale of concentrated fruit juice	85.14	14.86	Acquisition by consolidation under non-uniform control
Anyue Andre Lemon Industry Technology Co., Ltd.	Sichuan Province, China	Sichuan Province, China	Production and sale of concentrated fruit juice	-	100.00	Acquisition by consolidation under non-uniform control
Liquan Yitong Juice Co., Ltd.	Shaanxi Province, China	Shaanxi Province, China	Production and sale of concentrated fruit juice	-	100.00	Acquisition by consolidation under non-uniform control
Yantai Andre Drinking Water Co., Ltd.	Shandong province, China	Shandong province, China	Beverage production and sales	50.00	35.00	Acquisition of establishment
Aksu Andre Juice Co., Ltd.	Xinjiang Uygur Autonomous Region, China	Xinjiang Uygur Autonomous Region, China	Production and sale of concentrated fruit juice	87.50	12.50	Acquisition of establishment

## **VIII Disclosure of risks associated with financial instruments**

The Company's major financial instruments include monetary funds, equity investments, debt investments, financial assets held for trading, receivables, payables, etc. Exposure to various financial instruments in daily activities, mainly including credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the Company's risk management policies to mitigate these risks are described below:

The Board is responsible for planning and establishing the Company's risk management structure, formulating the Company's risk management policies and relevant guidelines and overseeing the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks faced by the Company. These risk management policies specify specific risks and cover various aspects such as market risk, credit risk and liquidity risk management. The Company regularly assesses changes in the market environment and the Company's operating activities to determine whether to update its risk management policies and systems. The Company's risk management is carried out by the Risk Management Committee in accordance with policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and mitigates related risks through close cooperation with other business units of the Company. The Company's internal audit department conducts regular audit on the risk management control and procedures and reports the audit results to the Company's audit Committee. The Company diversified its exposure to financial instruments through an appropriate mix of diversified investments and businesses and reduced its exposure to a single industry, specific region or specific counterparty by developing appropriate risk management policies.

### **(I) Credit risk**

Credit risk is the risk that the Company will incur financial losses as a result of a counterparty's failure to meet its contractual obligations, the management has established appropriate credit policies and continuously monitors exposure to credit risk.

The Company has adopted a policy of dealing only with creditworthy counterparties. In addition, the Company assesses the customer's credit worthiness and sets a corresponding credit period based on the customer's financial position, the likelihood of obtaining a guarantee from a third party, credit history and other factors such as current market conditions. The Company monitors bills receivable, balances of accounts receivable and collection status on an on-going basis. For customers with poor credit records, the Company applies written reminders, shortens the credit period or cancels the credit period to ensure that the Company does not face significant credit losses. In addition, the Company reviews the recovery of financial assets at each balance sheet date to ensure that adequate provision for expected credit losses is made for the relevant financial assets.

The Company's other financial assets include monetary funds, other receivables, debt investments, etc. The credit risk of these financial assets arises from the default of the counterparty and the maximum credit risk exposure is the carrying amount of each financial asset in the balance sheet. The Company does not provide any other guarantees that may expose the Company to credit risk.

## VIII Disclosure of risks associated with financial instruments (continued)

### (I) Credit risk (continued)

The monetary funds held by the Company are mainly deposited in financial institutions such as state-owned holding banks and other large and medium-sized commercial banks. The management believes that these commercial banks have high reputation and asset status, do not have significant credit risk, and will not cause any significant loss due to the default of the counterparty. The Company's policy is to limit the amount of credit risk to any individual financial institution by controlling the amount of deposits placed with each reputable financial institution based on its market reputation, scale of operations and financial background.

As part of the Company's credit risk asset management, the Company assesses impairment losses on trade and other receivables based on historical credit loss experience, taking into account current conditions and expectations of future economic conditions. The Company's trade receivables involve a large number of customers whose historical credit loss experience reflects their solvency and bad debt risk on trade and other receivables. The Company calculated the historical actual bad debt rates for different aging periods based on historical data, and adjusted the expected loss rate by taking into account the forecast of current and future economic conditions, such as the national GDP growth rate, total infrastructure investment, national monetary policy and other forward-looking information. For long-term receivables, the Company makes a reasonable assessment of the ECL after adjusting for the settlement period, contractual payment period, the financial position of the debtor and the economic situation of the industry in which the debtor is located, taking into account the above forward-looking information.

As at 30 June 2023, the carrying amounts and expected credit impairment losses of the relevant assets are as follows:

Items	Book balance	Impairment allowance
Accounts receivable	213,500,847.54	14,135,918.12
Other receivables	859,241.11	47,462.06
Total	<u>214,360,088.65</u>	<u>14,183,380.18</u>

The Company's principal customers are Coca-Cola, Pepsi-Cola, Kraft, Nestle, Yili, Wahaha, Nongfu Spring, etc. These customers have reliable and good reputation and therefore, the Company does not consider these customers to have significant credit risk. There is no significant concentration of credit risk as the Company has a wide range of customers.

## VIII Disclosure of risks associated with financial instruments (continued)

### (II) Liquidity risk

Liquidity risk is the risk that an enterprise will experience a shortage of funds when it meets its obligation to settle by delivering cash or other financial assets. Each of the Company's subsidiaries is responsible for its own cash management, including the short-term investment of cash surpluses and the raising of loans to meet expected cash requirements (subject to the approval of the Board of Directors of the Company if the amount of borrowings exceeds certain pre-established authorised limits). The Group's policy is to regularly monitor the short-term and long-term liquidity requirements and compliance with borrowing agreements to ensure that adequate cash reserves and marketable securities are maintained and sufficient reserves are pledged by major financial institutions to meet the short-term and longer-term liquidity requirements.

As at 30 June 2023, the Company's financial liabilities and off-balance-sheet guarantee items are presented as follows based on the remaining contractual terms using undiscounted contractual cash flows:

Items	Immediate repayment	Within 1 month	Closing balance			More than 5 years	Total
			1-3 months	3 months - 1 year	1-5 years		
Non-derivative financial liabilities							
Short-term borrowings	-	-	-	30,023,671.23	-	-	30,023,671.23
Accounts payable	61,754,930.92	-	-	-	-	-	61,754,930.92
Other payables	38,666,025.73	-	-	-	-	-	38,666,025.73
Long-term payables	-	-	-	-	-	1,674,106.50	1,674,106.50
Subtotal, non-derivative financial liabilities	<u>100,420,956.65</u>	-	-	<u>30,023,671.23</u>	-	<u>1,674,106.50</u>	<u>132,118,734.38</u>
Total	<u>100,420,956.65</u>	-	-	<u>30,023,671.23</u>	-	<u>1,674,106.50</u>	<u>132,118,734.38</u>

## VIII Disclosure of risks associated with financial instruments (continued)

### (III) Market risk

#### 1. Exchange rate risk

The principal operations of the Company are located in the PRC and the principal operations are settled in RMB. However, foreign currency assets and liabilities recognised by the Company and future foreign currency transactions in which the currencies of valuation of foreign currency assets and liabilities and foreign currency transactions are mainly USD and HKD remain subject to exchange rate risk. The financial department of the Company is responsible for monitoring the scale of the Company's foreign currency transactions and foreign currency assets and liabilities to minimise the exposure to foreign exchange risk; To this end, the Company will sign forward settlement and sale contracts to avoid exchange rate risk.

- (1) The forward foreign exchange contracts entered into by the Company during the period are as follows:

The Company attaches great importance to the study of exchange rate risk management policies and strategies. In order to avoid the exchange rate risk of export receivables, the Company has entered into a number of forward foreign exchange contracts with banks. Changes in the fair value of the financial assets held for trading have been included in the profit or loss, Relevant contents are in "Note V, Note 2. Financial Assets held for trading". At the same time, with the increasing share of the international market, the Company will adjust the sales policy to reduce the risks arising from the Company's uncontrollable risks such as RMB appreciation.

## VIII Disclosure of risks associated with financial instruments (continued)

### (III) Market risk (continued)

#### 1. Exchange rate risk (continued)

- (2) As at 30 June 2023, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company translated into RMB are as follows:

Items	Closing balance			Total
	Dollar item	Euro item	Hong Kong dollar item	
Foreign currency financial assets:				
Cash at bank and cash on hand	55,620,054.11	0.39	480,341.39	56,100,395.89
Account receivables	<u>156,189,171.68</u>	<u>-</u>	<u>-</u>	<u>156,189,171.68</u>
Subtotal	<u>211,809,225.79</u>	<u>0.39</u>	<u>480,341.39</u>	<u>212,289,567.57</u>
Foreign currency financial liabilities:				
Accounts payable	1,918,289.55	-	-	1,918,289.55
Other payables	<u>3,576.77</u>	<u>-</u>	<u>-</u>	<u>3,576.77</u>
Subtotal	<u>1,921,866.32</u>	<u>-</u>	<u>-</u>	<u>1,921,866.32</u>

- (3) Sensitivity analysis

As at 30 June 2023, the Company would increase or decrease net profit by approximately RMB10,518,385.06 (approximately RMB17,129,990.85 for 2022) for various types of USD and HKD financial assets and USD and HKD financial liabilities of the Company if RMB appreciated or depreciated by 5% against USD and HKD with other factors held constant.

## VIII Disclosure of risks associated with financial instruments (continued)

### (III) Market risk (continued)

#### 2. Interest rate risk

The Company's interest rate risk arises mainly from bank deposits, etc. Floating rate financial liabilities expose the Company to cash flow interest rate risk and fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed rate and floating rate contracts based on the prevailing market conditions.

The Company's finance department monitors the Company's interest rate level on an ongoing basis. The increase in interest rates will increase the cost of new interest-bearing debt and the interest expense of the Company's outstanding interest-bearing debt with floating interest rates, and will have a significant adverse impact on the Company's financial results. The management will make adjustments in a timely manner based on the latest market conditions, which may be an arrangement for interest rate swap to reduce the interest rate risk.

- (1) The Company has no interest rate swap arrangement during the period.
- (2) sensitivity analysis

For the year ended 30 June 2023, if the interest rate on bank deposits calculated using floating interest rate had increased or decreased by 50 basis points with other factors held constant, the net profit of the Company would have increased or decreased by approximately RMB25,000.00 (The Company have increased or decreased by approximately RMB67,702.06 in 2022.).

The sensitivity analysis above assumes that a change in interest rates has occurred at the balance sheet date and has been applied to all of the Company's bank deposits obtained at floating rates.

## VIII Disclosure of risks associated with financial instruments (continued)

### (III) Market risk (continued)

#### 3. Price risk

Price risk represents the risk of fluctuations in market prices other than exchange rate risk and interest rate risk arising primarily from changes in commodity prices, stock market indices, equity instrument prices and other risk variables.

Investment price risk on equity instruments is the risk that the fair value of equity securities will decrease due to changes in the level of the stock index and the value of individual securities. As at 30 June 2023, the Company was exposed to the price risk of investments in equity instruments arising from individual investments in equity instruments classified as available-for-sale investments. The investments in listed equity instruments held by the Company are listed on the stock exchange and are measured at quoted market prices at the balance sheet date.

The following table illustrates the sensitivity of the Company's net profit or loss and other comprehensive income net after tax to every 5% change in the fair value of the investment in equity instruments, based on the carrying amount at the balance sheet date, with all other variables held constant. For the purposes of this sensitivity analysis, for an investment in an available-for-sale equity instrument, the impact is considered to be the impact on changes in the fair value of the investment in an available-for-sale equity instrument, without taking into account factors such as impairment that may affect the income statement.

	Investment in equity instruments book value	Increase in net profit or loss (decrease)	Increase (decrease) in net after tax in other comprehensive income	Total shareholders' equity Increase (decrease)
the six-month period ended 30 June 2023	102,790,270.28	5,139,513.51	–	5,139,513.51
the year of 2022	<u>153,896,854.51</u>	<u>7,694,842.73</u>	<u>–</u>	<u>7,694,842.73</u>

## IX Fair value

### (I) Financial instruments measured at fair value

The Company presents the carrying amounts of financial asset instruments measured at fair value at three levels of fair value as at 30 June 2023. When fair value is classified into three levels as a whole, it is based on the lowest of the three levels for each significant input used in the fair value measurement. The three levels are defined as follows:

Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date;

Level 2: inputs that are observable for the underlying asset or liability, either directly or indirectly, in addition to the level 1 inputs;

Level 2 inputs include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in an inactive market; 3) other observable inputs other than quoted prices, including interest rate and yield curves, implied volatility and credit spread that are observable during the normal quote interval; 4) input value for market verification, etc.

Level 3: is the unobservable input to the related asset or liability.

### (II) Final fair value measurement

#### 1. Ongoing fair value measurement

Items	Final fair value			Total
	Level 1	Level 2	Level 3	
Subtotal of financial assets at fair value through profit or loss	890,640,054.65	-	-	890,640,054.65
Assets Management Plan	243,656,443.62	-	-	243,656,443.62
Funds	86,077,700.00	-	-	86,077,700.00
Investment in equity instruments	102,790,270.28	-	-	102,790,270.28
Net worth financial products	458,115,640.75	-	-	458,115,640.75
Total assets	890,640,054.65	-	-	890,640,054.65
Subtotal of financial debts classified as at fair value through profit or loss	4,408,000.00	-	-	4,408,000.00
Derivative financial liabilities	4,408,000.00	-	-	4,408,000.00
Total debts	<u>4,408,000.00</u>	<u>-</u>	<u>-</u>	<u>4,408,000.00</u>

**IX Fair value (continued)**

**(III) Basis for determining the market price of continuing and non-continuing level 1 fair value measurement items**

1. Fair value of fund products investment is based on the net assets value of the fund provided by the fund company on the last working day of each month.
2. Fair value of asset management plan is based on the net assets value of the asset management plan provided by the asset management company as the end of the period.
3. Fair value of the equity instrument investment is measured based on the closing price of the stock in A-share securities market on the last working day in each month.

**X Related parties and related party transactions**

**(I) Ultimate holding party of the Company**

The ultimate controlling parties of the Company are Wang An and Wang Meng.

**(II) See Note VII (I) Interests in subsidiaries for details of the Company's subsidiaries**

## X Related parties and related party transactions (continued)

### (III) Other related parties

Other related party names	Relationship between other related parties and the Company
Shandong Andre Group Co., Ltd.	Enterprises that have a significant impact on the Company
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Enterprises that have a significant impact on the Company (i)
Guangzhou President Enterprises Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd. (i)
Chengdu President Enterprise Food Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd. (i)
Yantai Andre Yangma Resort Co., Ltd.	Enterprises under the same ultimate control
Yantai Andre Real Estate Development Co., Ltd.	Enterprises under the same ultimate control
Yantai Andre Property Management Co., Ltd.	Enterprises under the same ultimate control
Yantai DSM Andre Pectin Co., Ltd.	An enterprise that is significantly affected by the ultimate controlling party
Yantai Hengtong Heat Co., Ltd.	Enterprises under the same ultimate control
Yantai Yitong Biological Energy Co., Ltd.	Enterprises under the same ultimate control
Yantai Hengda Cement Co., Ltd.	Enterprises under the same ultimate control
Yantai Hengli Contrete LLC.	An enterprise that is significantly affected by the ultimate controlling party
Yantai Xinping Jianan Co., Ltd.	The ultimate controlling party is the enterprise controlled by close family members.
Yantai Xingan Investment Centre (Limited Partnership)	Enterprises controlled by key management personnel of the Group
Donghua Fruit Industry Co., Ltd.	Enterprises under the same ultimate control
China Pingan Investment Holdings Limited	Enterprises under the same ultimate control
Yantai Andre Holiday Hotel Plaza Limited	Enterprises under the same ultimate control
Yantai Andre Construction and Installation Engineering Co., Ltd.	Enterprises under the same ultimate control
Yantai Andre Agricultural Technology Co., Ltd.	Enterprises under the same ultimate control
Kunlong Spring Resort Ltd	Enterprises under the same ultimate control
Mitsui & Co., Ltd.	Enterprises holding more than 5% of the Company's shares (ii)
Yantai Huatai Beverage Co., Ltd.	The Company holds more than 5% of its shares
(i) President Enterprises (China) Investment Co., Ltd. exerts effective voting rights through its subsidiaries Chengdu President Enterprise Food Co., Ltd. and Guangzhou President Enterprises Co., Ltd. at the general meeting of shareholders of the Company and its representatives on the board of directors of the Company, which has a significant impact on the Company.	
(ii) According to Mitsui & Co., Ltd.'s DI Form, it held less than 5% of the Company's shares in May 2023.	

## X Related parties and related party transactions (continued)

### (IV) Related party transaction

1. Transactions between subsidiaries that have a control relationship and are included in the scope of the Company's consolidated financial statements and transactions between parent and subsidiary are eliminated.
2. Related party transactions of purchasing goods and receiving services

Affiliated party	Related party transactions	Current amount incurred	Prior period occurrence
Yantai Yitong Biology Heat Co., Ltd.	Purchase of steam, electricity	796,917.09	974,991.13
Yantai Yitong Biology Heat Co., Ltd.	Purchase of assets	–	8,056,417.14
Yantai Andre Construction and Installation Engineering Co., Ltd.	Purchases of service	1,689,541.31	4,440,091.78
Yantai DSM Andre Pectin Co., Ltd.	Purchase of products	158,278.66	191,749.15
Yantai Andre Holiday Hotel Plaza Limited	Purchases of service	91,565.84	110,188.58
Kunlong Spring Resort Ltd	Purchases of service	98,814.84	192,360.17
Kunlong Spring Resort Ltd	Purchase of assets	–	1,643.94
Yantai Hengtong Heat Co., Ltd.	Purchase of products	–	2,017,225.05
Yantai Huatai Beverage Co., Ltd.	Purchase of products	108,851.23	–
Total		<u>2,943,968.97</u>	<u>15,984,666.94</u>

## X Related parties and related party transactions (continued)

### (IV) Related party transaction (continued)

#### 3. Related party transactions of selling goods and providing services

Affiliated party	Related party transactions	Current amount incurred	Prior period occurrence
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Sales of goods	<b>14,483,968.75</b>	14,649,532.13
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Rendering of service	<b>856,633.78</b>	762,653.05
Yantai DSM Andre Pectin Co., Ltd.	Sales of goods	<b>14,946,785.83</b>	7,291,208.63
Yantai DSM Andre Pectin Co., Ltd.	Rendering of service	<b>447,972.00</b>	633,574.19
Yantai Yitong Biological Energy Co., Ltd.	Sales of goods	–	25,815.93
Yantai Yangma Island Andre Holiday Co., Ltd.	Sales of goods	–	5,107.96
Yantai Andre Real Estate Development Co., Ltd.	Rendering of service	<b>70,304.00</b>	98,019.17
Yantai Andre Real Estate Development Co., Ltd.	Sales of goods	–	11,814.16
Yantai Andre Property Management Co., Ltd.	Sales of goods	–	22,547.79
Yantai Andre Property Management Co., Ltd.	Rendering of service	–	195.32
Yantai Andre Construction and Installation Engineering Co., Ltd.	Sales of goods	–	5,384.07
Yantai Andre Construction and Installation Engineering Co., Ltd.	Rendering of service	<b>136,704.28</b>	139,385.78
Yantai Hengda Cement Co., Ltd.	Sales of goods	–	3,589.38
Yantai Hengli Concrete LLC.	Sales of goods	–	4,693.80
Mitsui Products Co., Ltd. and its subsidiaries	Sales of goods	<b>42,223,672.92</b>	37,549,391.59
Yantai Andre Holiday Hotel Plaza Limited	Sales of goods	–	19,035.40
Kunlong Spring Resort Ltd	Selling assets	–	41,909.73
Yantai Huatai Beverage Co., Ltd.	Sales of goods	<b>45,845.63</b>	–
Total		<b><u>73,211,887.19</u></b>	<b><u>61,263,858.08</u></b>

**X Related parties and related party transactions (continued)**

**(IV) Related party transaction (continued)**

4. Related lease conditions

(1) The Company acts as a lessor

Name of lessee	Types of leased assets	<b>Lease income recognised in the current period</b>	Lease income recognised in prior period
Yantai DSM Andre Pectin Co., Ltd.	House lease	<b>369,018.00</b>	351,060.00
Yantai Andre Real Estate Development Co., Ltd.	House lease	<b>105,456.00</b>	81,120.00
Yantai Andre Construction and Installation Engineering Co., Ltd.	House lease	<b>193,253.21</b>	209,357.64
Total		<b><u>667,727.21</u></b>	<u>641,537.64</u>

## X Related parties and related party transactions (continued)

### (IV) Related party transaction (continued)

#### 5. Related party guarantees

##### (1) The Company act as guaranteed party

Guarantor	Guaranteed amount	Date of commencement	Date of maturity	Whether the guarantee has been fulfilled
Shandong Andre Group Co., Ltd.	10,000,000.00	16 November 2022	16 November 2025	Yes
Shandong Andre Group Co., Ltd.	50,000,000.00	27 May 2022	1 July 2023	Yes
Shandong Andre Group Co., Ltd.	20,000,000.00	31 August 2022	31 August 2026	Yes
Shandong Andre Group Co., Ltd.	30,000,000.00	18 October 2022	18 October 2026	No
Total	<u>110,000,000.00</u>			

#### Note:

- (I) On 16 November 2022, Muping Branch of Yantai Bank provided the Company with a loan of RMB10,000,000.00 with an annual interest rate of 3.70%. The term of the loan was from 16 November 2022 to 16 November 2023. The loan was guaranteed by Shandong Andre Group Co., Ltd. The loan was repaid on 3 April 2023. The guarantee liability is fulfilled.
- (II) Shandong Andre Group Co., Ltd. provided a domestic letter of credit guarantee for the Company on 27 May 2022, with a limit of RMB150,000,000.00, and the Company actually used the domestic letter of credit to issue RMB50,000,000.00 on 1 June 2023 and 2 June 2023, the Company repaid the loan of RMB10,000,000.00 and RMB40,000,000.00 successively, so that the guarantee liability of Shandong Andre Group Co., Ltd. has been fulfilled.
- (III) On 31 August 2022, the Muping Branch of the Bank of China provided the Company with a loan of RMB20,000,000.00 with an annual interest rate of 3.65%. The term of the loan is from 31 August 2022 to 31 August 2023. The loan is guaranteed by Shandong Andre Group Co., Ltd., and the loan was repaid on 22 March 2023. The guarantee liability is fulfilled.
- (IV) On 28 April 2023, the Muping Branch of the Bank of China provided the Company with a loan of RMB30,000,000.00 with an annual interest rate of 3.20%. The term of the loan is from 28 April 2023 to 28 April 2024, and the guarantee obligation has not yet been fulfilled.

## X Related parties and related party transactions (continued)

### (IV) Related party transaction (continued)

#### 6. Remuneration of key management personnel

Items	<b>Current amount incurred</b>	Prior period occurrence
Remuneration of key management personnel	<b><u>1,664,232.92</u></b>	<u>1,451,170.22</u>

During the six-month period ending 30 June 2023 and 30 June 2022, the Company has not paid any remuneration to directors and supervisors as a reward or severance compensation to attract them to join the Company; during the six-month period ending 30 June 2023 and 30 June 2022, no directors or supervisors have waived their fees or other emoluments.

#### 7. Receivables and payables from related parties

##### (1) Amounts due from related parties of the Company

Items	Book balance	Affiliated party		Closing balance	
		Bad-debt provision	Book balance	Bad-debt provision	Opening balance
Receivables	Yantai DSM Andre Pectin Co., Ltd.	925,931.55	55,555.89	39,470.29	2,368.22
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	3,477,487.77	208,649.27	6,756,189.34	405,371.36
	Mitsui & Co., Ltd.	1,424,682.08	85,480.92	-	-
Advance payment	Yantai Yitong Biological Energy Co., Ltd.	9,335,857.00	-	-	-
Other receivables	Yantai Yitong Biological Energy Co., Ltd.	13,244.00	662.20	13,244.00	662.20
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	30,000.00	6,000.00	30,000.00	6,000.00

## X Related parties and related party transactions (continued)

### (IV) Related party transaction (continued)

#### 7. Receivables and payables from related parties(continued)

##### (2) The Company's payables to related parties

Items	Affiliated party	Closing balance	Opening balance
Accounts payable	Yantai Andre Construction and Installation Engineering Co., Ltd. Yantai Yitong Biological Energy Co., Ltd. Yantai DSM Andre Pectin Co., Ltd.	66,080.00 5,973.45 9,797.35	310,069.23 753,705.96 13,200.00
Other payables	Yantai Yitong Biological Energy Co., Ltd.	194,561.58	-
Contract liabilities	Yantai DSM Andre Pectin Co., Ltd.	-	7,381.81

## XI Commitments and contingencies

### (I) Significant commitments

#### 1. Foreign investment contracts and related financial expenditures that have not yet been performed or fully performed

Yantai Andre Drinking Water Co., Ltd, was established on 13 November 2020 with the joint contribution of the Company and its subsidiaries, Andre Juice Co., Ltd., Yantai Xinweishun Packing Co., Ltd. and Yantai Rongze Carton Factory. The registered capital of the Company is USD5 million, of which USD2.5 million is subscribed by the Company, accounting for 50.00% of the registered capital; Andre Juice Co., Ltd, subscribed USD1.75 million, accounting for 35.00% of the registered capital; Yantai Xinweishun Packing Co., Ltd. subscribed USD500,000, accounting for 10.00% of the registered capital; Yantai Rongze Carton Factory subscribed USD250,000, accounting for 5.00% of the registered capital. As at 30 June 2023, except for the paid in capital contribution of Andre Juice Co., Ltd., the contribution of other shareholders has not been made yet, so the Company is required to fulfill its obligation to contribute USD2.5 million to Yantai Andre Drinking Water Co., Ltd.

Save for the above commitments, as at 30 June 2023, the Company had no other significant commitments that should be disclosed but not disclosed.

### (II) Significant contingencies existing at the balance sheet date

The Company has no significant contingencies that need to be disclosed.

## XII Subsequent events

1. On 26 June 2023, Andre Juice Co., Ltd., a subsidiary of the Company, passed a board resolution and agreed to transfer 20% of the equity of Yantai Huatai Beverage Co., Ltd. held by the Company to Yantai Muping District Huatai Furniture Packaging Co., Ltd. at a price of RMB10,152,000.00; 5% equity is transferred to Yantai Longkou Lizhong Installation Engineering Co., Ltd. for RMB2,538,000.00.

During the reporting period, due to the fact that the above transfer has not yet taken place the equity delivery, the Company has not yet processed the accounting, the equity delivery was completed on 4 July 2023, and the above equity transfer payment was received on 14 August 2023.

2. The Company signed the “Equity Purchase Intent Agreement” with Yantai Bihai City Development and Investment Co., Ltd. (hereinafter referred to as “Yantai Bihai City Investment”) on 2 November 2022. The Company plans to purchase 10% equity in Yantai Linhai Ecological Agriculture Science and Technology Development Co., Ltd. (hereinafter referred to as “Linhai Ecological”), a wholly-owned subsidiary of Yantai Bihai City Investment, for RMB110,000,000.00. According to the “Equity Purchase Intent Agreement”, the Company has paid RMB100,000,000.00 to Yantai Bihai City Investment on 7 November 2022 as the intention to acquire the above.

According to the terms of the “Equity Purchase Intention Agreement”, Yantai Bihai City Investment shall complete the following work within one year after the signing of the “Equity Purchase Intention Agreement” as a condition of the acquisition: (1) The detailed information of Yantai Bihai City Investment’s in the Company to provide Linhai Ecological, including but not limited to relevant information such as the corporate balance sheet, cash flow statement, and profit statement, and ensure that the registered capital is fully in place before the equity acquisition; (2) Obtain the consent of the state-owned assets management department; (3) Ensure that there are no undisclosed major financial or legal issues concerning Linhai Ecological.

As at 13 July 2023, the Park complex project promised by Linhai Ecological has not started in full. The paid-up capital of Linhai Ecological is still zero. Although the project is still being promoted, it is progressing slowly. From 2021 to 30 June 2023, a total of RMB13,478,400.00 will be paid in design fees, demolition compensation and other expenses, of which RMB730,000.00 will be paid in 2021, RMB4,237,200.00 in 2022, and RMB8,511,200.00 will be paid in 2023. Due to the delay in the arrival of the registered capital and the inability to obtain the consent of the state-owned assets management department, it is impossible to reach the investment conditions stipulated in the “Equity Purchase Intention Agreement” in a short period of time. The realization of the investment requires a long-term process. After careful consideration, the management of the Company decided not to invest in the project. After consultation with Yantai Bihai City Investment, the investment intention and unpaid interest were recovered on 14 July 2023.

Save for the existence of the above post-balance-sheet events, the Company has no other material post-balance-sheet events that should be disclosed that are not disclosed up to the date of approval of the financial report.

### XIII Notes to major items in the financial statements of the parent company

#### Note 1. Accounts receivable

##### 1. Disclosure of trade receivables by age

Aging	Closing balance	Opening balance
Within 6 months (inclusive)	<b>138,368,928.35</b>	92,374,404.77
6 months to 1 year (inclusive)	<b>51,307,570.90</b>	135,583,379.47
Subtotal	<b>189,676,499.25</b>	227,957,784.24
Less: loss allowance	<b>12,305,560.82</b>	14,252,275.60
Total	<b>177,370,938.43</b>	213,705,508.64

##### 2. Classified disclosure by bad debt provision accrual method

Type	Book balance		Closing balance		Book value
	Amount	Percentage (%)	Amount	Accrual proportion (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	<b>189,676,499.25</b>	<b>100.00</b>	<b>12,305,560.82</b>	<b>6.49</b>	<b>177,370,938.43</b>
Where: Portfolio of amounts due from customers	<b>189,676,499.25</b>	<b>100.00</b>	<b>12,305,560.82</b>	<b>6.49</b>	<b>177,370,938.43</b>
Total	<b>189,676,499.25</b>	<b>100.00</b>	<b>12,305,560.82</b>	<b>6.49</b>	<b>177,370,938.43</b>

Type	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	227,957,784.24	100.00	14,252,275.60	6.25	213,705,508.64
Where: Portfolio of amounts due from customers	227,957,784.24	100.00	14,252,275.60	6.25	213,705,508.64
Total	227,957,784.24	100.00	14,252,275.60	6.25	213,705,508.64

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 1. Accounts receivable (continued)

3. Accounts receivable with expected credit losses by portfolio

(1) Portfolio of amounts due from customers

Overdue time	Book balance	Closing balance	
		Bad-debt provision	Accrual percentage (%)
Not past due	183,069,564.52	10,984,173.87	6.00
Within 30 days overdue	<u>6,606,934.73</u>	<u>1,321,386.95</u>	<u>20.00</u>
Total	<u><u>189,676,499.25</u></u>	<u><u>12,305,560.82</u></u>	<u><u>6.49</u></u>

4. Provision for doubtful debts accrued, recovered or reversed in the current period

Type	Opening balance	Provision	Changes in current period			Closing balance
			Recovery or reversal	Cancel after verification	Other changes	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	14,252,275.60	-	1,946,714.78	-	-	<u>12,305,560.82</u>
Where: Portfolio of amounts due from customers	<u>14,252,275.60</u>	<u>-</u>	<u>1,946,714.78</u>	<u>-</u>	<u>-</u>	<u><u>12,305,560.82</u></u>
Total	<u><u>14,252,275.60</u></u>	<u><u>-</u></u>	<u><u>1,946,714.78</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>12,305,560.82</u></u>

5. There are no accounts receivable actually written off during current period.

6. Five largest accounts receivable by debtor at the end of the period

	Closing balance	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the top five accounts receivable by debtor in the closing balance	<u><u>108,651,715.34</u></u>	<u><u>57.28</u></u>	<u><u>7,013,740.72</u></u>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 2. Other receivables

Items	Closing balance	Opening balance
Dividends receivable	25,699,658.48	25,699,658.48
Other receivables	<u>62,438,632.57</u>	<u>88,955,645.51</u>
Total	<u><u>88,138,291.05</u></u>	<u><u>114,655,303.99</u></u>

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

#### (I) Dividends receivable

##### 1. Dividends receivable

#### Investee

Andre Juice Co., Ltd.

Total

Closing balance	Opening balance
<u>25,699,658.48</u>	<u>25,699,658.48</u>
<u><u>25,699,658.48</u></u>	<u><u>25,699,658.48</u></u>

##### 2. Significant dividends receivable aged more than 1 year

Investee	Closing balance	Aging	Reasons for recovery	Whether the impairment and the reasons
Andre Juice Co., Ltd.	25,699,658.48	More than 3 years	Not yet paid	No. Dividends from subsidiaries can be paid at any time.
Total	<u><u>25,699,658.48</u></u>			

**XIII Notes to major items in the financial statements of the parent company (continued)**

**Note 2. Other receivables (continued)**

(II) Other receivables

1. Disclosure of other receivables by age

<b>Aging</b>	<b>Closing balance</b>	Opening balance
Within 1 year	<b>62,451,759.48</b>	90,299,855.64
Subtotal	<b>62,451,759.48</b>	90,299,855.64
Less: loss allowance	<b>13,126.91</b>	1,344,210.13
	<hr/>	<hr/>
Total	<b><u>62,438,632.57</u></b>	<b><u>88,955,645.51</u></b>

2. Breakdown by nature of amounts

<b>Nature of money</b>	<b>Closing balance</b>	Opening balance
Consolidated subsidiaries	<b>62,189,221.28</b>	63,415,653.12
Deposits, petty cash, cash pledge	<b>152,900.00</b>	130,000.00
Equity disposal receivable	-	26,650,000.00
Others	<b>109,638.20</b>	104,202.52
Subtotal	<b>62,451,759.48</b>	90,299,855.64
Less: loss allowance	<b>13,126.91</b>	1,344,210.13
	<hr/>	<hr/>
Total	<b><u>62,438,632.57</u></b>	<b><u>88,955,645.51</u></b>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 2. Other receivables (continued)

##### (II) Other receivables (continued)

##### 3. Disclosed in three stages of impairment of financial assets

Items	Closing balance			Opening balance		
	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value
Stage I	<u>62,451,759.48</u>	<u>13,126.91</u>	<u>62,438,632.57</u>	<u>90,299,855.64</u>	<u>1,344,210.13</u>	<u>88,955,645.51</u>
Total	<u><u>62,451,759.48</u></u>	<u><u>13,126.91</u></u>	<u><u>62,438,632.57</u></u>	<u><u>90,299,855.64</u></u>	<u><u>1,344,210.13</u></u>	<u><u>88,955,645.51</u></u>

##### 4. Classified disclosure by bad debt provision accrual method

Type	Book balance		Closing balance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	62,451,759.48	100.00	13,126.91	0.02	62,438,632.57
Where: Consolidated Related Parties	62,189,221.28	99.58	-	-	62,189,221.28
Low credit risk portfolios such as margin and reserve fund portfolios	<u>262,538.20</u>	<u>0.42</u>	<u>13,126.91</u>	<u>5.00</u>	<u>249,411.29</u>
Total	<u><u>62,451,759.48</u></u>	<u><u>100.00</u></u>	<u><u>13,126.91</u></u>	<u><u>0.02</u></u>	<u><u>62,438,632.57</u></u>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 2. Other receivables (continued)

##### (II) Other receivables (continued)

##### 4. Classified disclosure by bad debt provision accrual methods (continued)

Type	Book balance		Opening balance		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	90,299,855.64	100.00	1,344,210.13	1.49	88,955,645.51
Where: Consolidated Related Parties	63,415,653.12	70.23	-	-	63,415,653.12
Low credit risk portfolios such as margin and reserve fund portfolios	<u>26,884,202.52</u>	<u>29.77</u>	<u>1,344,210.13</u>	<u>5.00</u>	<u>25,539,992.39</u>
<b>Total</b>	<b><u>90,299,855.64</u></b>	<b><u>100.00</u></b>	<b><u>1,344,210.13</u></b>	<b><u>1.49</u></b>	<b><u>88,955,645.51</u></b>

##### 5. Other accounts receivable for anticipated credit losses on a portfolio basis

##### (1) Portfolio with related parties within the consolidation scope

Overdue days	Closing balance	
	Book balance	Bad-debt provision
Within 1year	<u>62,189,221.28</u>	<u>-</u>
<b>Total</b>	<b><u>62,189,221.28</u></b>	<b><u>-</u></b>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 2. Other receivables (continued)

##### (II) Other receivables (continued)

##### 5. Other accounts receivable for anticipated credit losses on a portfolio basis (continued)

##### (2) Portfolio with low credit risk, such as margin and reserve fund portfolio

Aging	Closing balance		Percentage (%)
	Book balance	Bad-debt provision	
Within 1 year	<u>262,538.20</u>	<u>13,126.91</u>	<u>5.00</u>
Total	<u><u>262,538.20</u></u>	<u><u>13,126.91</u></u>	<u><u>5.00</u></u>

##### 6. Provision for bad debts of other receivables

Bad-debt provision	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Opening balance	1,344,210.13	-	-	1,344,210.13
Opening balance in current period	-	-	-	-
Provision in current period	-	-	-	-
Return in current period	1,331,083.22	-	-	1,331,083.22
Transfer in current period	-	-	-	-
Write off in current period	-	-	-	-
Other changes	-	-	-	-
Closing balance	<u><u>13,126.91</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>13,126.91</u></u>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 2. Other receivables (continued)

##### (II) Other receivables (continued)

7. There are no others receivables actually written off during current period.

8. Five largest other receivables by debtor at the end of the period

Name of organization	Nature of money	Closing balance	Aging	Percentage of other receivables ending balance (%)	Bad-debt provision closing balance
Anyue Andre Lemon Industry Technology Co., Ltd.	Receivables from subsidiaries	56,911,075.77	Within 1 year	91.13	-
Andre Juice Co., Ltd.	Equity disposal receivable	5,044,446.61	Within 1 year	8.08	-
Yantai Andre Drinking Water Co., Ltd.	Receivables from subsidiaries	224,259.15	Within 1 year	0.36	-
Tianjin Wahaha Hongzhen Food and Beverage Trading Co., Ltd.	Deposits	100,000.00	Within 1 year	0.16	5,000.00
Employee's personal insurance	Pretty cash	85,013.60	Within 1 year	0.14	4,250.68
Total		<u>62,364,795.13</u>		<u>99.87</u>	<u>9,250.68</u>

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 3. Long-term equity investment

Nature of money	Closing balance			Opening balance		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Investment in subsidiaries	<u>568,942,158.14</u>	-	<u>568,942,158.14</u>	446,342,158.14	-	446,342,158.14
Total	<u><u>568,942,158.14</u></u>	-	<u><u>568,942,158.14</u></u>	<u><u>446,342,158.14</u></u>	-	<u><u>446,342,158.14</u></u>

#### 1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase in current period	Decrease in current period	Closing balance	Provision for impairment in current period	Closing balance of impairment allowance
Baishui Andre Juice Co., Ltd.	110,630,130.07	110,630,130.07	-	-	110,630,130.07	-	-
Yantai Longkou Andre Juice Co., Ltd.	80,622,695.55	80,622,695.55	-	-	80,622,695.55	-	-
Xuzhou Andre Juice Co., Ltd.	58,645,418.00	58,645,418.00	-	-	58,645,418.00	-	-
Andre Juice Co., Ltd.	8.00	8.00	-	-	8.00	-	-
Dalian Andre Juice Co., Ltd.	56,000,000.00	119,000,000.00	-	-	119,000,000.00	-	-
Yongji Andre Juice Co., Ltd.	77,443,906.52	77,443,906.52	62,600,000.00	-	140,043,906.52	-	-
Aksu Andre Juice Co., Ltd.	<u>60,000,000.00</u>	-	<u>60,000,000.00</u>	-	<u>60,000,000.00</u>	-	-
Total	<u><u>443,342,158.14</u></u>	<u><u>446,342,158.14</u></u>	<u><u>122,600,000.00</u></u>	-	<u><u>568,942,158.14</u></u>	-	-

### XIII Notes to major items in the financial statements of the parent company (continued)

#### Note 4. Operating income and operating costs

##### 1. Operating income, operating costs

Items	Current amount incurred		Prior period occurrence	
	Income	Cost	Income	Cost
Principal businesses	367,369,236.82	343,089,182.70	421,702,545.89	404,246,311.26
Other business	3,128,537.90	1,817,311.59	4,953,771.74	3,409,079.36
Total	<u>370,497,774.72</u>	<u>344,906,494.29</u>	<u>426,656,317.63</u>	<u>407,655,390.62</u>

#### Note 5. Investment income

Items	Current amount incurred	Prior period occurrence
Investment income in the period in which financial assets held for trading are held	1,377,008.00	1,255,000.00
Investment income from disposal of financial assets held for trading	35,091,946.35	33,910,561.83
Investment income in the period in which other debt investments are held	988,879.00	—
Investment income from disposal of other debt investments	273,724.00	—
Total	<u>37,731,557.35</u>	<u>35,165,561.83</u>

#### XIV Supplementary information

##### (I) List of current non-recurring profit and loss

Items	Amount	Remark
Profit or loss on disposal of non-current assets	-3,241.54	
Government grants included in the profit or loss of the current period (except for government grants that are closely related to the business of the enterprise and are fixed or quantitatively enjoyed in accordance with the unified national standard)	2,528,425.00	
Profit or loss on changes in fair value arising from the holding of trading financial assets and trading financial liabilities, and investment income from the disposal of trading financial assets, trading financial liabilities, debt investments and other debt investments, other than effective hedging business in relation to the normal operations of the Company	23,878,535.03	
Other non-operating income and expenses other than those mentioned above	9.96	
Less: income tax impact	<u>4,714,320.20</u>	
Total	<u><u>21,689,408.25</u></u>	

##### (II) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted mean Return on net assets (%)	Earnings per share	
		Basic earnings per share	Dilute earnings per share
Net profit attributable to ordinary shareholders of the Company	6.67	0.46	0.46
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	<u>5.79</u>	<u>0.40</u>	<u>0.40</u>

## MAJOR FINANCIAL INFORMATION AND INDICATORS

### 1. Major financial information

	<b>Jan – Jun 2023</b>	Jan – Jun 2022	Change
	<i>RMB</i>	<i>RMB</i>	(%)
Operating income	<b>497,645,022.49</b>	568,616,090.46	(12.48)
Net profit attributable to equity shareholders of the Company	<b>163,568,849.96</b>	130,924,840.18	24.94
Net profit attributable to equity shareholders of the Company after deduction of extraordinary gain/loss	<b>141,879,441.71</b>	132,039,486.20	7.45
Net cash flows from operating activities	<b>429,937,665.98</b>	432,598,051.06	(0.61)

	<b>Amount at the end of the period</b>	Amount at the end of the previous year	Percentage changes in amount at the end of the period as compared to that at the end of the previous year
	<i>RMB</i>	<i>RMB</i>	(%)
Net assets attributable to equity shareholders of the Company	<b>2,497,208,666.92</b>	2,369,409,816.96	5.39
Total assets	<b>2,674,638,650.90</b>	2,609,813,359.85	2.48

### 2. Major financial indicators

	<b>Jan – Jun 2023</b>	Jan – Jun 2022	Change
			(%)
Basic earnings per share (RMB/share)	<b>0.460</b>	0.360	27.78
Diluted earnings per share (RMB/share)	<b>0.460</b>	0.360	27.78
Basic earnings per share after deduction of extraordinary gain or loss (RMB/share)	<b>0.400</b>	0.366	9.29
Weighted average earnings on net assets (%)	<b>6.67</b>	5.78	0.89
Weighted average earnings on net assets after deduction of extraordinary gain or loss (%)	<b>5.79</b>	5.83	(0.04)

### 3. Extraordinary gain or loss items and amounts

	<b>Jan-Jun 2023</b> <i>RMB</i>
Loss on disposal of non-current assets	(3,241.54)
Government grant recognised in profit or loss other than those closely related to the Company's normal operations, and entitled to fixed amounts or quantities on a continuous basis according to national standards	2,528,425.00
Profit of fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's rights investment other than the effective hedging business related to the Company's normal operations	23,878,535.03
Non-operating income other than those stated above	9.96
Less: effect of income tax	<u>4,714,320.20</u>
Total	<u><u>21,689,408.25</u></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Major Operating Performance

For the six months ended 30 June 2023, the Group's turnover was approximately RMB497,645,022 as compared to approximately RMB568,616,090 for the corresponding period in 2022, representing a decrease of approximately RMB70,971,068 or 12%. The Group's turnover was principally derived from the production and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products, and provision of juice processing services. The decrease in turnover was mainly attributable to the decrease in sales volume of juice concentrates in the reporting period.

For the six months ended 30 June 2023, the Group's gross profit was approximately RMB158,521,553 and the gross profit margin was approximately 32%. For the corresponding period in 2022, the Group's gross profit was approximately RMB145,322,057 and the gross profit margin was approximately 26%. The increase in gross profit and gross profit margin for the current period was mainly due to the increase in selling price of juice concentrates.

For the six months ended 30 June 2023, the Group's net profit was approximately RMB163,568,850, all of which was the net profit attributable to the owners of the parent company. As compared to approximately RMB130,924,840 for the corresponding period in 2022, representing an increase of approximately RMB32,644,010 or 25%. The net profit increased, on the one hand due to the increase in gross profit and gross profit margin caused by the increase in selling price of juice concentrates; on the other hand, due to the increase in fair value of financial assets held for trading, such as securities, in the reporting period.

## Analysis on Principal Businesses

### 1. Analysis of changes in related items of the income statement and the cash flow statement

Item	Jan – Jun 2023 RMB	Jan – Jun 2022 RMB	Change (%)
Operating income	<b>497,645,022.49</b>	568,616,090.46	(12.48)
Operating cost	<b>339,123,469.52</b>	423,294,033.63	(19.88)
Selling and distribution expenses	<b>1,579,305.63</b>	2,031,378.94	(22.25)
General and administrative expenses	<b>19,091,437.47</b>	18,019,232.44	5.95
Financial income	<b>(12,663,394.37)</b>	(29,232,465.29)	(56.68)
Research and development expenses	<b>2,783,172.31</b>	2,122,726.56	31.11
Other income	<b>2,538,208.64</b>	800,003.29	217.27
Profit arising from change in fair value	<b>(17,283,897.55)</b>	(36,917,030.87)	53.18
Credit impairment (loss)/profit	<b>4,663,136.50</b>	(3,231,963.44)	(244.28)
Assets impairment (loss)/profit	<b>110,858.62</b>	(9,455,748.02)	(101.17)
Profits tax	<b>4,714,320.20</b>	24,328.66	19,277.64
Net cash flow from operating activities	<b>429,937,665.98</b>	432,598,051.06	(0.61)
Net cash flow from investing activities	<b>(349,313,679.51)</b>	(268,429,118.68)	30.13
Net cash flow from financing activities	<b>(100,891,280.38)</b>	(44,888,070.63)	124.76

Reasons for changes:

Operating income: mainly attributable to the decrease in sales volume of juice concentrates during the reporting period

Operating cost: mainly due to the decrease in sales volume of juice concentrates during the reporting period

Selling and distribution expenses: mainly attributable to the decrease in customer commission expenses during the reporting period

General and administrative expenses: mainly due to the slight increase in daily operating expenses of the Company during the reporting period

Financial income: mainly due to decrease in exchange gain in the reporting period caused by the depreciation of exchange rate of RMB against US dollars in a lesser extent than the corresponding period last year

Research and development expenses: mainly due to the increase in research and development expenditure by the Company during the reporting period

Other income : mainly due to increase in government grant received during the reporting period

Profit arising from change in fair value: mainly attributable to the increase in fair value of financial assets held for trading, such as securities, during the reporting period

Credit impairment loss/(profit): mainly due to decrease in provision of credit impairment loss in accordance with the accounting standards caused by the decrease in balance of accounts receivable at the end of the reporting period

Assets impairment loss/(profit): mainly attributable to the provision of impairment loss of fixed assets by Anyue Andre Lemon Industry Technology Co., Ltd., a subsidiary of the Company, of RMB9,640,000 in the corresponding period last year

Profits tax: mainly due to increase in provision of profits tax caused by profit from disposal of investment such as securities during the reporting period

Net cash flow from operating activities: mainly attributable to the decrease in sales volume of juice concentrates during the reporting period

Net cash flow from investing activities: mainly due to the increase in purchase of wealth management products during the reporting period

Net cash flow from financing activities: mainly due to the early repayment of bank loans not yet due during the reporting period

## 2. Analysis on assets and liabilities

Name of Items	Amount at the end of the period RMB	Percentage of the amount at the end of the period over total asset (%)	Amount at the end of the prior year RMB	Percentage of the amount at the end of the prior year over total asset (%)	Percentage changes in amount at the end of the period as compared to that at the end of the prior year (%)	Description
Financial assets held						
for trading	890,640,054.65	33.30	581,808,314.35	22.29	53.08	1
Bills receivable	233,227.50	0.01	4,662,800.00	0.18	(95.00)	2
Prepayments	19,806,092.50	0.74	619,044.11	0.02	3,099.46	3
Other receivables	811,779.50	0.03	26,795,468.30	1.03	(96.97)	4
Inventory	266,991,857.04	9.98	550,820,147.00	21.11	(51.53)	5
Other non-current financial assets	632,803.57	0.02	6,000,000.00	0.23	(89.45)	6
Construction in progress	2,627,786.71	0.10	56,637.17	0.00	4,539.69	7
Other non-current assets	9,781,158.02	0.37	620,045.30	0.02	1,477.49	8
Short-term loan	30,023,671.23	1.12	130,089,680.56	4.98	(76.92)	9
Financial liabilities						
held for trading	4,408,000.00	0.16	–	–	N/A	10
Employee benefits payable	11,477,952.90	0.43	18,099,227.26	0.69	(36.58)	11
Other payables	38,666,025.73	1.45	1,485,027.30	0.06	2,503.72	12

1. The increase in financial assets held for trading was mainly attributable to increase in purchase of different types of wealth management products during the reporting period.
2. The decrease in bills receivable was mainly attributable to bills were due for acceptance during the reporting period.

3. The increase in prepayment was mainly due to the increase in prepayment made for purchase of different kinds of materials and energy during the reporting period.
4. The decrease in other receivables was mainly due to the consideration of disposal of interest of a subsidiary outstanding as at the end of prior year being received during the reporting period.
5. The decrease in inventory was mainly due to the Company was experiencing seasonal production shutdown and there was no production but only sales during the reporting period.
6. The decrease in other non-current financial assets was mainly due to the decrease in provision of fair value during the reporting period.
7. The increase in construction in progress was due mainly due to Yongji Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, started to construct a new production line for peach and hawthorn fruit juice during the reporting period.
8. The increase in other non-current assets was due mainly due to increase in prepayment of construction expenditures for construction of a new production line for peach and hawthorn fruit juice in Yongji Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, during the reporting period.
9. The decrease in short-term loans was mainly due to the early repayment of bank loans during the reporting period.
10. The increase in financial liabilities held for trading was mainly due to loss from USD forward contracts recognised during the reporting period.
11. The decrease in employee benefits payable was mainly due to the year-end bonus of last year was paid during the reporting period.
12. The increase in other payables was mainly due to the declaration of 2022 final dividend in accordance with the Board resolution during the reporting period.

### 3. Analysis on major subsidiaries and investee companies

Name of companies	As at 30/6/2023	As at 30/6/2023	Jan – Jun 2023
	Total assets RMB	Net assets RMB	Net profit RMB
Baishui Andre Juice Co., Ltd.	609,447,675.94	590,162,409.13	37,694,416.43
Yantai Longkou Andre Juice Co., Ltd.	280,002,806.32	273,407,802.88	19,610,545.16
Xuzhou Andre Juice Co., Ltd.	233,308,650.12	225,954,202.16	527,922.47
Andre Juice Co., Ltd.	237,301,066.20	206,556,961.11	40,125.04
North Andre Juice (USA) Inc.	49,905,242.62	(3,071,150.53)	2,947,006.93
Dalian Andre Juice Co., Ltd.	324,595,650.84	312,352,186.09	43,250,330.31
Yongji Andre Juice Co., Ltd.	347,227,688.69	335,884,045.39	17,777,970.27
Anyue Andre Lemon Industry Technology Co., Ltd.	54,583,186.77	(3,397,018.05)	(509,535.53)
Liquan Yitong Juice Co., Ltd.	238,148,719.70	235,626,676.09	3,928,591.36
Aksu Andre Fruit Juice Co., Ltd.*	69,935,522.33	69,718,440.41	(281,559.59)

#### Business Review

In the first half of 2023, facing the influence of many factors, such as the decline of output in the last pressing season and the tariffs in the US market, the Company internally “focused on management and sought benefits from refined management”, actively promoted all employees to make improvement and innovation on the basis of strengthening internal management, took the refined management as the starting point, persisted in striving for progress while maintaining stability, and carried out energy conservation and consumption reduction in all directions, and externally adjusted the sales strategy in real time according to the situation that the fruit juice was in short supply, thus increasing the market sales price and gross profit margin. The key work during the reporting period included the following aspects:

#### *Enlarging Market and Diversifying Products*

During the first half year in 2023, by adapting to the market demand and leveraging on its management and capital advantages as well as its advanced production technology, superb product quality and comprehensive customer services, the Group maintained steady growth in markets. 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 America and Chinese domestic market. At the same time, as the Company became the first “A+H” dual-listed enterprise in the juice beverage industry in China, the Company’s visibility in the industry has been significantly enhanced and the Company will take advantage of this opportunity to continue to focus on the development of new products, small type products markets, as well as the customer base. The Group hopes to continue to expand its market places and boost its market share.

\* For identification purpose only

### *Optimizing Customer Base*

While expanding its market places, enlarging its market shares and upgrading the product quality continuously, the Group also continued to optimize its profile of customer base. Through exhibitions, customers' visits and other channels, the Group sought to increase its exposure to new customers and got more chances for cooperation, so as to understand customer demand, provide better products and service, and to increase customer confidence. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers and traders of the world.

### *Outlining Xinjiang to open up Central Asia and expanding new markets in Europe and Asia along "the Belt and Road Initiatives"*

Aksu Andre Fruit Juice Co., Ltd.\* ("Aksu Andre"), a wholly-owned subsidiary of the Company, participated in the public auction conducted by the Aksu Regional Intermediate People's Court of Xinjiang Uygur Autonomous Region on its Alibaba judicial auction online platform on 19 May 2023, and obtained the Confirmation of Success of Online Bidding of Judicial Auction on 20 May 2023. Aksu Andre acquired the land use right, buildings, machinery, equipment and appendages of Aksu Hengtong Fruit Juice Co., Ltd.\* located in the agricultural and sideline products processing park, Wensu County, Xinjiang at the price of RMB59,906,390.20. Therefore, the Group will gain greater advantages in expanding the emerging markets along "the Belt and Road Initiatives" to the west via Central Asia and in exporting goods to Russia, Turkey and other countries and regions. These advantages will not only make the Group's production scale go up to a higher level, but also strengthen the Group's position in Central Asia and western markets, further consolidate the Company's leading position in the industry, and change the competitive pattern of juice concentrate industry again.

### *Improving Management System and Efficiency*

The Group improved the operational control system and assessment and allocation system with market as orientation, optimized the allocation of the Company's assets, human resources and technology by prioritizing efficiency. With performance as the guiding principle, the Group promoted the performance assessment of all employees so as to fully mobilize the enthusiasm of all employees. Meanwhile, the Group further improved the corporate governance structure to meet the trend of continuous growth of enterprise scale and improve management efficiency.

\* For identification purposes only

## **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, Oceania, African countries and Japan. In addition to consolidating the existing market shares and customer base and resuming exports to US customers in the future, the Company will be committed to developing multiple emerging markets with a view to making breakthroughs in this aspect. Under the premise of the satisfactory development at the present stage, the Company will expand its product range with apple juice concentrate as the foundation, while increasing sales of high value-added products, such as apple fructose, peach juice, cloudy apple juice and hawthorn fruit juice, so as to enrich its product range, increase income and meet the demands of various customers.

### *Increasing Market Development Efforts and Promoting Customer Confidence*

As the Company's popularity in the industry has been significantly improved, the Group vigorously expanded international emerging markets and customers, optimized the sales channels and increased the proportion of domestic sales under the premise of maintaining the original market share. Adhering to the market-oriented principle and the customer-centered philosophy, the Group combined the Company's products, brands and services to continuously create value for customers and enhance their trust. The Group provided a variety of products and completed the one-stop product supply in combination with the Company's small variety projects. The Group further enhanced customers' trust to and cooperation with the Company with high-quality products, sincere service and rich product categories.

### *Expanding Financing Channels to Promote Sustainable Development*

In respect of future financing, the Company will raise funds in a timely manner from various means, such as private placement, placing, issuance of convertible bonds, or bank borrowings according to its actual situation and development needs, in order to promote the sustainable development of the Company.

## **Possible Risks and Uncertainties**

### **1. Risk of undersupply of the major ingredient**

The Company's main products are apple juice concentrate and apple fructose (decolorized and deacidified apple concentrate), of which the main ingredient is apple, and the purchase cost of apple accounts for approximately 65% of the cost of the above products. The price of apple is affected by climate conditions, supply and demand, and many other factors. The volatility of ingredient fruit price is one of the main factors affecting the Company's operating results.

Countermeasures: With years of experience in the industry, strong capital strength and accurate analysis of the situation, the Company keeps an eye on the industry dynamics every day during the acquisition season and adjusts its acquisition strategy in a timely manner. Making full use of the advantages of each subsidiary in the major production areas of ingredient fruit, the Company is able to balance the fluctuation of ingredient prices and control production costs effectively. At the same time, the Company's strong scientific and technological strength as well as excellent technical advantages have maximized the production capacity of the Company, which not only effectively guarantees the quality of the Company's products, but also reduces the Company's production costs.

## **2. Risk of relying on a single product**

The Company is principally engaged in the processing, production and sales of juice concentrate, and most of the products are sold abroad. Although the current demand for apple juice concentrate is stable around the globe, the Company's profit sources are largely dependent on a single variety of apple juice concentrate, and fluctuations in the market price of apple juice concentrate will adversely affect the Company's production and operations.

Countermeasures: The Company has adjusted its strategy to reduce its reliance on juice concentrate products and further seek product sales diversification. The Company timely launched and increased the research and development, production and sales of apple fructose, peach juice concentrate, hawthorn fruit juice concentrate and cloudy apple juice and other products. The Company will also launch a new 40-tonnes peach juice concentrate and 10-tonnes hawthorn fruit juice concentrate production line in Yongji Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, this year so as to fulfill customers' need on diversified products and end consumers' desire for consumption upgrade, and further diversify the Company's products at the same time. With the new products launched by the domestic famous beverage processing enterprises and their hot sales, sales are growing year by year. On the other hand, the Company is preparing to invest in industry which can bring sustainable and stable income to the Company, so as to increase the profit level of the Company, effectively ease the risk of relying on a single product and risk of fluctuation of ingredient costs and improve the risk resistance capacity of the Company.

## **3. Risk of exchange rate**

The Company's main business is located in China, its domestic business is settled in RMB, and its export business is mainly settled in US dollars. Hence, the Company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) are subject to a risk of fluctuation of exchange rate.

Countermeasures: The finance department of the Company is responsible for monitoring the scale of foreign currency transactions, foreign currency assets and liabilities of the Company to minimize the risk of exchange rate. To this end, the Company will take the opportunities to sign forward foreign exchange settlement contracts to avoid the risk of exchange rate.

## **CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

For the directors of the Company (the “**Directors**”), on 25 May 2023, Mr. Wang Kun and Ms. Wang Meng were appointed as executive Directors. Mr. Zhang Hui was re-designated from an executive Director to a non-executive Director and was appointed as the vice chairman on 31 March 2023. For senior management of the Company, Mr. Zhang Hui resigned as the president and Mr. Wang Kun was appointed as the president of the Company on 31 March 2023.

Save as disclosed above, there was no material change in the Directors, supervisors and senior management of the Company for the six months ended 30 June 2023.

## **EMPLOYMENT AND REMUNERATION POLICY**

For the six months ended 30 June 2023, the Group’s average number of employee was 807 and the total employee remuneration was approximately RMB26,994,961. 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 2023.

## **SIGNIFICANT INVESTMENT**

No significant investment was made by the Group for the six months ended 30 June 2023.

## **MATERIAL ACQUISITION AND DISPOSAL**

No material acquisitions or disposals of subsidiaries, associates or joint ventures had been made by the Company for the six months ended 30 June 2023.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Saved as disclosed in Note XIII to the Financial Statements, the Group had no specific plan for material investments or capital assets as at 30 June 2023.

## A SHARE OFFERING AND USE OF PROCEEDS FROM A SHARE OFFERING

The Company issued 20,000,000 RMB ordinary shares (A Shares) on 18 September 2020 with a total par value of RMB20,000,000 at the issue price of RMB7.60 per share. The total proceeds raised amounted to RMB152,000,000. The net proceeds raised (after deducting the offering expense of RMB30,500,000) was RMB121,500,000. For details, please refer to the announcement of the Company dated 17 September 2020.

The “Proposal on Termination of the Original Proceeds-invested Project and Change of the Use of Part of the Proceeds and Capital Increase in a Wholly-owned Subsidiary” was separately considered and approved at the Board meeting of the Company held on 30 December 2021 and at the 2022 first special general meeting and class meetings of the Company held on 16 February 2022, pursuant to which the original proceeds-invested project “construction of production line for multi-type fruit juice concentrate” was terminated and RMB63,000,000 of the proceeds will be used to increase the capital of Dalian Andre Juice Co., Ltd. (“**Dalian Andre**”), a wholly-owned subsidiary of the Company, for the construction of 30-tonne production line for fruit juice concentrate of Dalian Andre.

Based on the changes of downstream and terminal markets and the Company’s sales data of products made of multiple varieties in the first three quarters in 2021, the Company believed that the market environment of the original project had changed significantly, and the original target could not be achieved by continuing with the investment in the original project. The acidity of local raw apples of Dalian Andre is high, so the implementation of the new project will increase the output of high-acidity products and give full play to the advantages of the Company’s main business, which is more certain than the original project. In order to increase the efficiency of the use of proceeds and the investment return of the proceeds, and enhance the competitiveness of the Company, the Company promptly terminated the original project and changed the use of RMB63,000,000 of the proceeds from the original project to the construction of the new project. For more details, please refer to the announcement of the Company dated 31 December 2021 and the circular of the Company dated 18 January 2022. The changed proceeds-invested project was put into production in September 2022.

The “Proposal on Change of the Use of the Proceeds and Capital Increase in a Wholly-owned Subsidiary” was separately considered and approved at the Board meeting of the Company held on 20 March 2023 and at the 2022 annual general meeting and class meetings of the Company held on 25 May 2023, pursuant to which the Company will invest RMB62,600,000 in Yongji Andre Juice Co., Ltd. (“**Yongji Andre**”), a wholly-owned subsidiary of the Company, for the implementation of “Construction project for 40-tonne peach juice concentrate and 10-tonne hawthorn juice concentrate production line of Yongji Andre” and RMB62,144,100 of the remaining proceeds will be used (the final amount will be subject to the remaining amount of the proceeds received by Yongji Andre by way of remittance after being considered and approved by the shareholders’ general meeting), and the short amount will be made up by its own funds.

Yongji Andre is located in the place with abundant production and excellent quality in both peach and hawthorn. Upon preliminary investigation, the Company is of the view that the demand for concentrated fruit juice products such as peach juice and hawthorn juice from customers both at home and abroad has increased in recent years. At the same time, the Company believes that increasing the production of peach juice and hawthorn juice will enhance the diversity of the Company's products, optimize the production capacity layout of the Company, and help the Company to continue to maintain and consolidate its market share and leading position in the field of fruit juice concentrate. Taking into account factors such as changes in the market environment and the Company's business development needs, and in order to increase the efficiency of the use of proceeds and investment returns from the proceeds and enhance the Company's competitiveness, the Company decided to invest the remaining proceeds in the "Construction project for 40-tonne peach juice concentrate and 10-tonne hawthorn juice concentrate production line of Yongji Andre". For more details, please refer to the announcement of the Company dated 20 March 2023 and the circular of the Company dated 21 April 2023.

As at 30 June 2023, the use of proceeds raised from A Share offering and the balance are set out below:

	<i><b>RMB</b></i>
Balance of proceeds as of 31 December 2022	70,722,389.62
Less: Capital invested in the construction of 30-tonne production line for fruit juice concentrate of Dalian Andre	2,862,223.06
Less: Capital invested in the construction of a production line for 40-tonne peach juice concentrate and 10-tonne hawthorn juice concentrate of Yongji Andre	12,533,674.22
Add: Interest income of deposits net of bank charges in the first half of 2023	348,897.05
Add: Income from cash management of wealth management products in the first half of 2023	394,028.95
	<hr/>
Balance of proceeds as of 30 June 2023	<u><u>56,069,418.34</u></u>

As of 30 June 2023, the accumulated used proceeds was RMB71,935,127.96, and the balance of unused proceeds was RMB56,069,418.34. The details are set out in the following table:

Investment project	Planned investment amount <i>RMB</i>	Investment amount in the reporting period <i>RMB</i>	Accumulated investment amount as of the end of the period <i>RMB</i>	Project status
Construction of multi-type juice concentrate production line	2,035,100.00	–	2,035,100.00	terminated
Construction of 30-tonne production line for fruit juice concentrate of Dalian Andre	63,000,000.00	2,862,223.06	57,366,353.74	in use
Construction of a production line for 40-tonne peach juice concentrate and 10-tonne hawthorn juice concentrate of Yongji Andre	<u>62,423,145.21</u>	<u>12,533,674.22</u>	<u>12,533,674.22</u>	proceeding
Total	<u>127,458,245.21</u>	<u>15,395,897.28</u>	<u>71,935,127.96</u>	

The Company will use the remaining proceeds according to the progress of the investment projects and business development. As at 30 June 2023, there was no specific timetable for the use of the remaining proceeds.

## **CONTINGENT LIABILITIES**

The Directors of the Company were not aware of any material contingent liabilities as at 30 June 2023.

## **SUBSEQUENT EVENT**

Saved as disclosed in Note XII(I) to the Financial Statements, the Group has no material subsequent event as at 30 June 2023.

## **CHARGE OF ASSETS**

The Group has no assets charged as at 30 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

For the six months ended 30 June 2023, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's shares.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally financed its operations and investing activities by internally generated financial resources and loans from banks. As at 30 June 2023, the Group had total outstanding bank loans of approximately RMB30,023,671, all of which were short-term bank loan and bore interest at fixed rates of 3.20% per annum. For the six months ended 30 June 2023, the Group repaid on time the loans that were due for repayment.

As at 30 June 2023, the Group had a net cash and cash equivalent position of approximately RMB205,381,569. The Group's gearing ratio as at 30 June 2023 was approximately 7% (30 June 2022: approximately 9%) which was calculated based on the Group's total liabilities of approximately RMB177,429,984 (30 June 2022: approximately RMB239,944,944) divided by total equity and liabilities of approximately RMB2,674,638,651 (30 June 2022: approximately RMB2,545,930,772). 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 2023, the Group had outstanding bank loans of RMB30,023,671 (30 June 2022: RMB100,058,819). All were denominated in RMB.

Approximately RMB149,281,174, RMB55,620,054 and RMB480,341 (30 June 2022: approximately RMB384,749,270, RMB134,012,550 and RMB225,889) of the Group's cash balances were denominated in RMB, US dollars and HK dollars respectively as at 30 June 2023.

For details of the Group's capital management policies and objectives, please refer to Note V.48 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.

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

As at 30 June 2023, 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 (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were (a) required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Hong Kong 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 Hong Kong 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 of Hong Kong Limited (the “**Hong Kong Listing Rules**”) were as follows:

Name of Directors	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/H Shares	Approximate Percentage of Total Share Capital
Wang An (Note 1)	A Shares	101,010,501 (L)	Interest of controlled corporation (Note 2)	Personal	37.34% (L)	28.24% (L)
Wang Yanhui (Note 3)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.39% (L)	5.59% (L)
Zhang Hui (Note 5)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.39% (L)	5.59% (L)
Liu Tsung-Yi	H Shares	195,400 (L)	Beneficial owner	Personal	0.22% (L)	0.05% (L)
Wang Meng (Note 7)	A Shares	65,779,459 (L)	Interest of controlled corporations (Note 8)	Personal	24.31% (L)	18.39% (L)
	H Shares	17,222,880 (L)	Interest of controlled corporations (Note 9)	Personal	19.76% (L)	4.81% (L)

Notes:

The letter “L” denotes a long position.

- (1) As at 30 June 2023, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 A Shares, representing 12.96% 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 A Shares, representing 15.28% 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 2023, Mr. Wang Yanhui, a Director, acted as the general partner and 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 A Shares, representing 5.59% of the total issued share capital of the Company.
- (4) Mr. Wang Yanhui was deemed to be interested in these A 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 2023, Mr. Zhang Hui, a Director, held 36% 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 A Shares, representing 5.59% of the total issued share capital of the Company.
- (6) Mr. Zhang Hui was deemed to be interested in these A Shares through his interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心(有限合夥)).
- (7) As at 30 June 2023, Ms. Wang Meng, a Director, controlled (a) 100% interest in Donghua Fruit Industry Co., Ltd., which held 65,779,459 A Shares, representing 18.39% interest in the total issued share capital of the Company; (b) 100% interest in Hongan International Investment Co., Ltd., which held 17,222,880 H Shares, representing 4.81% interest in the total issued share capital of the Company.
- (8) Ms. Wang Meng was deemed to be interested in these Shares through her interests in Donghua Fruit Industry Co., Ltd.
- (9) Ms. Wang Meng was deemed to be interested in these Shares through her interests in Hongan International Investment Co., Ltd.

\* *For identification purpose only*

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

As at 30 June 2023, 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:

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/ H Shares	Approximate Percentage of Total Share Capital
China Pingan Investment Holdings Limited	A Shares	46,351,961 (L) (Note 1) (Note 11)	Beneficial owner	Corporate	17.13% (L)	12.96% (L)
Shandong Andre Group Co., Ltd.*	A Shares	54,658,540 (L) (Note 2) (Note 11)	Beneficial owner	Corporate	20.20% (L)	15.28% (L)
Donghua Fruit Industry Co., Ltd.	A Shares	65,779,459 (L) (Note 3) (Note 11)	Beneficial owner	Corporate	24.31% (L)	18.39% (L)
Uni-President Enterprises Corp.	A Shares	63,746,040 (L) (Note 4)	Interests of controlled corporations (Note 5)	Corporate	23.56% (L)	17.82% (L)
	H Shares	237,000 (L)	Beneficial owner (Note 6)	Corporate	0.27% (L)	0.07% (L)
Mitsui & Co., Ltd.	H Shares	17,430,000 (L)	Beneficial owner	Corporate	20.00% (L)	4.87% (L)
Hongan International Investment Co. Ltd.	A Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	24.31% (L)	18.39% (L)
	H Shares	17,222,880 (L) (Note 11)	Beneficial owner	Corporate	19.76% (L)	4.81% (L)
Zhang Shaoxia	A Shares	101,010,501 (L)	Interest of spouse (Note 7)	Personal	37.34% (L)	28.24% (L)

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/ H Shares	Approximate Percentage of Total Share Capital
Yantai Xingan Investment Centre (Limited Partnership)	A Shares	20,000,000 (L) (Note 11)	Beneficial owner	Corporate	7.39% (L)	5.59% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Beneficial owner	Corporate	12.62% (L)	3.08% (L)
Shenzhen Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	12.62% (L)	3.08% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	12.62% (L)	3.08% (L)
Chen Sheng	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Personal	12.62% (L)	3.08% (L)

Notes:

The letter “L” denotes a long position.

- (1) Mr. Wang An, a Director, was deemed to be interested in these A Shares through his 90% interest in China Pingan Investment Holdings Limited.
- (2) Mr. Wang An, a Director, was deemed to be interested in these A 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 A 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. was deemed to be interested in these 65,779,459 A Shares.
- (4) The long position in 63,746,040 A 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 A Shares, and Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司), which held 21,327,680 A Shares.

\* For identification purpose only

- (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 A Shares. The 63,746,040 A 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 A Shares, representing approximately 11.86% 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 A 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) 101,010,501 A 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) 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 his over 70% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).
- (9) The lock-up period of these shares is 36 months, from 18 September 2020 to 17 September 2023.

## **COMPETING INTERESTS**

As at 30 June 2023, none of the Directors, the management shareholders of the Company and their respective associates (as defined under the Hong Kong 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

As a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and Hong Kong Listing Rules.

The Company's corporate governance practices are based on the principles and code provisions set out in Part 2 of Appendix 14 (Corporate Governance Code (the "CG Code")) to the Hong Kong Listing Rules. For the six months ended 30 June 2023, the Company complied with the code provisions of the CG Code, except for the following deviation:

According to Code Provision C.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 Hong Kong 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 2023 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 for the six months ended 30 June 2023.

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 2023.

## 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. Gong Fan, Mr. Li Yao and Ms. Wang Yan) and its current chairman, Mr. Gong Fan, 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 2023.

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

Yantai, the PRC, 30 August 2023

As at the date hereof, the Board comprises:

Mr. Wang An (*Executive Director*)  
Mr. Wang Kun (*Executive Director*)  
Ms. Wang Meng (*Executive Director*)  
Mr. Wang Yan Hui (*Executive Director*)  
Mr. Zhang Hui (*Non-executive Director*)  
Mr. Liu Tsung-Yi (*Non-executive Director*)  
Mr. Gong Fan (*Independent non-executive Director*)  
Mr. Li Yao (*Independent non-executive Director*)  
Ms. Wang Yan (*Independent non-executive Director*)

\* *For identification purpose only.*