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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)

ANNOUNCEMENT ON CHANGE OF THE USE OF THE PROCEEDS AND CAPITAL INCREASE IN A WHOLLY-OWNED SUBSIDIARY

References are made to the announcements of Yantai North Andre Juice Co., Ltd.* (the “**Company**”) dated 30 August 2017, 20 December 2018, 18 January 2019, 4 March 2019, 30 July 2020, 28 August 2020, 4 September 2020, 7 September 2020, 9 September 2020, 10 September 2020, 14 September 2020 and 17 September 2020, the circulars of the Company dated 9 October 2017, 16 May 2018, 10 May 2019 and 8 April 2020, in relation to, among other things, the A share offering of the Company, and the announcement of the Company dated 31 December 2021 and the circular of the Company dated 18 January 2022, in relation to, among other things, the 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.

I. OVERVIEW OF THE PROCEEDS

(I) Basic information of the proceeds

As approved by the China Securities Regulatory Commission in the Reply on the Approval of the Initial Public Offering of Yantai North Andre Juice Co., Ltd.* (Zheng Jian Xu Ke [2020] No.1914) and with permission from the Shanghai Stock Exchange, the Company has issued 20,000,000 RMB ordinary shares (A shares) in the initial public offering at an offering price of RMB7.60 per share. The total proceeds were RMB152,000,000 and the net proceeds were RMB121,500,000 after deducting the offering expenses of RMB30,500,000. KPMG Huazhen LLP reviewed the proceeds of the offering and issued Report on Capital Verification (KPMG Huazhen Yan Zi No. 2000713) on 14 September 2020.

(II) Previous changes of the use of proceeds

On 30 December 2021 and 16 February 2022, the Company held the 20th meeting of the 7th session of the board of directors and the 2022 first special general meeting, respectively, to consider and approve the Proposal on Termination of the Original

* For identification purposes only

Proceeds-invested Project and Change of the Use of Part of the Proceeds and Capital Increase in a Wholly-owned Subsidiary, pursuant to which, the original proceeds-invested project “Construction of production line for multi-type fruit juice concentrate” was agreed to be terminated and RMB63,000,000 of the proceeds was used to increase the capital of Dalian Andre Juice Co., Ltd. (hereinafter referred to as “**Dalian Andre**”), a wholly-owned subsidiary of the Company, for the construction of 30-tonne production line for fruit juice concentrate of Dalian Andre. For details, please refer to the announcement of the Company published on 31 December 2022 at the website of The Stock Exchange of Hong Kong Limited, in relation to the 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.

On 25 March 2022, Dalian Andre completed the change of industrial and commercial registration and obtained a new business licence, increasing its registered capital from RMB80 million to RMB143 million. The construction of 30-tonne production line for fruit juice concentrate of Dalian Andre commenced in March 2022 with a construction period of 6 months. The construction was completed in August 2022 and put into production in September. 2,437-tonne apple juice concentrate and 878-tonne pear juice concentrate were produced during the year. Due to the special nature of seasonal production in the juice concentrate industry, the products produced in the current year need to be sold in the next year. Therefore, based on the current selling price of apple juice concentrate and pear juice concentrate, the estimated profit is RMB6.66 million, and the estimated net profit margin is 20%, which is slightly higher than the net profit margin of 19.13% in the feasibility report. According to the calculation results, the benefits generated by the products produced in 2022 of this project can reach the expected value of the Company’s investment.

As of the end of February 2023, Dalian Andre had used RMB56,510,400.53 of the proceeds, of which RMB41,465,874.68 was used for investment in fixed assets, RMB15,044,525.85 was used as working capital, and the remaining proceeds (including interest income) amounted to RMB6,965,967.64.

(III) The use of proceeds

As of 28 February 2023, the use of proceeds from the initial public offering of A shares of the Company was as follows:

Unit: RMB

No.	Item	Project type	Implementation entity	Committed investment amount of proceeds	Proposed investment amount of proceeds before the change	Proposed investment amount of proceeds after the change	Amount of proceeds that have been invested	Remaining balance of the proceeds (including interest income after deducting handling fees)
1	Construction of production line for multi-type fruit juice concentrate	Original project	The Company	122,500,000.00	122,500,000.00	-	2,035,100.00	62,144,091.08
2	Construction of 30-tonne production line for fruit juice concentrate of Dalian Andre	Previous changed project	Dalian Andre	-	-	63,000,000.00	56,510,400.53	6,965,967.64
Total				<u>122,500,000.00</u>	<u>122,500,000.00</u>	<u>63,000,000.00</u>	<u>58,545,500.53</u>	<u>69,110,058.72</u>

II. SPECIFIC REASONS FOR THE PROPOSED CHANGE IN USE OF PROCEEDS

Yongji Andre Juice Co., Ltd. (hereinafter referred to as “Yongji Andre”), a wholly-owned subsidiary of the Company, 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. In order to meet customer demand, optimize the Company’s product structure and enrich the category of the Company’s products, the Company will build a new production line for peach juice and hawthorn juice at Yongji Andre. The construction project will increase the Company’s production of these two products and enhance the diversity of these products, through the optimization of the Company’s production capacity layout and expansion of the Company’s production and operation scale, so as to further meet customer demand for different products. By enhancing customer loyalty, it is conducive to the Company continuing to maintain and consolidate its market share and leading position in the field of fruit juice concentrate, thereby facilitating the enhancement of the Company’s profitability and market competitiveness, and creating a new profit growth point for the Company.

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 proposes to invest RMB62.60 million in the construction of the new project, of which RMB62.1441 million of the 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.

In conclusion, the change of the use of proceeds is a prudent decision made by the Company based on factors such as changes in the market environment and the Company's business development needs, and will not adversely affect the Company's production and operation. There is no instance of change of the investment of proceeds in violation of regulations and prejudice to the interests of shareholders, especially minority shareholders.

III. SPECIFIC DETAILS OF THE PROPOSED CHANGE IN THE USE OF PROCEEDS

(I) Information about the new designated account for the proceeds and the capital increase

1. Overview

The board of directors of the Company permitted the Company to invest RMB62.60 million in Yongji Andre for the purpose of implementing a new project, of which RMB62.1441 million of the 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 will open a new designated deposit account for the proceeds and entered into the four-party custody agreement after the matter has been considered and approved by the shareholders' general meeting of the Company, and will deposit and manage the proceeds for the capital increase in accordance with the law.

The proposed capital increase amounts to RMB62.60 million, converted at the exchange rate of RMB6.94 to USD1 as published on 1 March 2023. Upon completion of the capital increase, Yongji Andre's registered capital will increase from USD12.96 million to USD21.98 million, and Yongji Andre will remain a wholly-owned subsidiary of the Company. The funds for the capital increase will be paid in installments based on the progress of the new project. This capital increase is in line with the Management Measures for the Use of Proceeds, and there is no disguised change in the investment with the proceeds and prejudice to the interests of shareholders.

2. *Basic information about the target of the capital increase*

Company name	Yongji Andre Juice Co., Ltd.	Legal representative	Zhang Hui	Registered capital	USD12.96 million
Establishment time	22 January 2007			Company type	Limited liability company
Registration address	No. 109 Shushui East Street, Yongji, Yuncheng City, Shanxi Province				
Principal business	Production of food, beverages, food additives, and feedstuff				
Shareholding structure	Shareholder name			Contribution amount (USD0'000)	Contribution amount (%)
	Before capital increase	Yantai North Andre Juice Co., Ltd.*		972	75
		ANDRE JUICE CO., LTD.		324	25
	After capital increase	Yantai North Andre Juice Co., Ltd.*		1,874	85.26
ANDRE JUICE CO., LTD.		324	14.74		

(II) **Decision-making process for the change of the use of the proceeds**

On 20 March 2023, the Company held the 7th meeting of the 8th session of the board of directors and the 4th meeting of the 8th session of the supervisory committee to consider and approve the Proposal on the Change of the Use of the Proceeds and Capital Increase in a Wholly-owned Subsidiary. The directors, independent directors, supervisors, and sponsor of the Company expressed their opinions approving the proposal. This matter is required to submit to the shareholders' general meeting of the Company for consideration and approval.

The change of the use of proceeds does not constitute a related party transaction under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange and material asset restructuring under Management Measures for Material Asset Restructuring of Listed Companies.

(III) **Particulars of the new project after the change**

1. Project name: Construction projects for 40-tonne production line for peach juice concentrate and 10-tonne production line for hawthorn juice concentrate of Yongji Andre Juice Co., Ltd.
2. Project implementing entity: Yongji Andre Juice Co., Ltd. (wholly-owned subsidiary of the Company)
3. Subject matter of the project: Construction of 40-tonne production line for processing peach juice concentrate and 10-tonne production line for hawthorn juice concentrate.

Project location: Yongji Andre Juice Co., Ltd. at inside No. 109 Shushui East Street of Yongji

This project is constructed in the original plant area and does not involve new land acquisition.

Project duration: From March 2023 to August 2023

4. Investment plan

The total investment in the project is expected to be RMB62.60 million, including project costs of RMB38.1104 million, other expenses for engineering construction of RMB3.3544 million, project preparation fees of RMB3.3352 million and initial working capital of RMB17.80 million. Total investment estimate is as follows:

Summary table of estimated total investment for the construction project

No.	Construction Item	Unit	Quantity	Unit price (in RMB)	Total price (RMB0'000)
	Total investment				6,260
I	Project costs				3,811.04
a	Building and installation engineering cost				311.04
b	Workshop	m ²	2,592	1,200	311.04
c	Equipment				3,500
II	Other expenses for engineering construction				335.44
a	Construction unit management fee	%		Marginal rate progressive method	62.17
b	Engineering survey fee	%	0.8	Construction and installation cost	2.49
c	Engineering design fee			Interpolation method	123.30
d	Feasibility study, environmental assessment and other expenses			Interpolation method	20.00
e	Engineering supervision fee			Interpolation method	91.95
f	Labor safety and health evaluation fee	%	0.1	Project costs	3.81
g	Engineering insurance fee	‰	0.6		14.12
h	Site preparation and temporary facilities fee	%	0.8	Construction and installation cost	2.49
i	Joint trial-commissioning fee	%	0.2	Project costs	7.62
j	Employee training fee	Person	50	600/person	3.00
k	Office and living furniture procurement fee	Person	50	900/person	4.50
III	Preparation fees	%	8	1+2 as the base	333.52
IV	Initial working capital				1,780

5. Estimation of economic benefits

The annual sales revenue generated from the project can amount to RMB17.15 million with normal annual after-tax profit of RMB3.3966 million. The Company can contribute RMB1.1133 million in taxes to the state each year, demonstrating

better profitability. The project enjoys better financial and economic benefits, with an after-tax investment payback period of 9.73 years (including the construction period). The breakeven point of the project's production amounts to 43.54%, indicating a certain level of risk resistance.

Table of main technical and economic indicators

No.	Name	Unit	Quantity
1	Total construction area	m²	2,592
2	Estimated total investment	RMB0'000	6,260
2.1	Fixed assets	RMB0'000	4,480
2.1.1	Project costs	RMB0'000	3,811.04
2.1.2	Other expenses for engineering construction	RMB0'000	335.44
2.1.3	Preparation fees	RMB0'000	333.52
2.2	Initial working capital	RMB0'000	1,780
3	Key economic indicators		
3.1	Normal annual operating income	RMB0'000	1,715
3.2	After-tax financial internal rate of return	%	6.92
3.3	Normal annual net profit	RMB0'000	339.66
3.4	Annual national tax contribution	RMB0'000	111.33
3.5	After-tax investment payback period	Year	9.73
3.6	Breakeven point	%	43.54

In conclusion, the proceeds-invested project is in line with our national industrial policies, and through the addition of new products, the production scale will be expanded to meet the diverse needs of customers and the needs for consumption upgrade of end consumers. It has good economic and social benefits, which is conducive to improving the efficiency of the use of proceeds and is feasible.

IV. MARKET PROSPECTS, FEASIBILITY AND ISSUES AND COUNTERMEASURES OF THE NEW PROJECT

(I) Market prospects

Chinese consumers pay increasing attention to natural foods and the intake of nutrients, and the demand for various functional drinks in China will also follow the global trend and gradually expand. In the future, the juice industry in China will be more fragmented by launching more segmented functional juice drinks. The construction projects for 40-tonne production line for peach juice concentrate and 10-tonne production line for hawthorn juice concentrate will be constructed by Yongji Andre in response to the trend, and will expand its current production scale in line with the market segmentation of the juice industry.

(II) Feasibility

1. Core advantage

Core technology is a company's core advantage, and Yongji Andre has strong technical and talent advantages in processing concentrated liquids (juice, pulp). Additionally, the company has a team of highly skilled staff. The company has advantages in the construction of a new project that are difficult for other companies to enjoy.

2. Abundant raw material resources

The three major peach-growing regions in China are mainly located in the provinces of Shanxi, Shaanxi, and Gansu. The peach-growing area and peach production in these three provinces account for approximately 10% and 15% of that in China, respectively. The peach-growing area is mainly concentrated in Yuncheng of Shanxi Province (Wanrong, Linyi, Pinglu and other counties), Weinan (Dali County) and Tianshui of Gansu Province (Qinan County). These regions enjoy a moderate altitude, sufficient sunlight, deep soil horizon and good fruit flavor with better quality and high yield per unit area. The peach-growing area in Yuncheng alone has reached 460,000 mu, with 100,000 mu of the hawthorn-growing area.

With the gradual expansion of the fruit industry and the increasing scale of planting, the problem of concentrated sales period of mature fruits is becoming more and more stringent. As the support of the fresh peach market, the processing industry still needs to be vigorously developed at present.

In conclusion, the construction of a new project is both necessary and feasible.

(III) Issues and countermeasures

1. Reasonably and scientifically design the construction site and arrange for construction schedule.
2. Continuously conducting self-improvement and development, especially by paying attention to the development trends of new technologies, new processes, new equipment, and new products in the industry, upgrading technology in a timely manner, improving equipment and producing new products that meet market demands, thereby achieving better economic and social benefits.
3. To reduce investment risks and improve equipment utilization, it is necessary to strengthen market research and industrial cooperation.

4. The Company should strengthen cooperation with professional universities and research institutes, by utilizing their talent advantages, technological advantages, and experimental equipment advantages, and combining their advantages with the its advantages in directly serving vast consumers, so as to quickly transform scientific and technological achievements into productivity that meets the consumption needs of the general public.

V. THE CHANGED PROCEED-INVESTED PROJECT IS SUBJECT TO THE APPROVAL OF RELEVANT AUTHORITY

The Company still needs to complete the procedures for construction filing and approval for environmental assessment in accordance with the requirements of relevant laws and regulations.

The Company will pay close attention to the industry's policy reforms and developments, actively analyse and study the macro and micro national policies, actively communicate and coordinate with the competent authorities at all levels and actively push forward and implement the approval, filing and other procedures of the project to promote the smooth implementation of the new project.

VI. OPINIONS OF INDEPENDENT DIRECTORS, SUPERVISORY COMMITTEE, AND SPONSORS ON CHANGE OF THE USE OF THE PROCEEDS AND CAPITAL INCREASE IN A WHOLLY-OWNED SUBSIDIARY

(I) Opinions of independent directors

The independent directors believe that the Company will make the change to invest the remaining proceeds into the “construction project of production line for 40-tonne peach juice concentrate and 10-tonne hawthorn juice concentrate of Yongji Andre” based on the actual situation of the Company. Such change is beneficial for improving the efficiency of the use of the proceeds, in line with the long-term development needs of the Company and the interests of shareholders as a whole, without prejudice to the interests of the Company and shareholders. Such change has gone through the necessary decision-making procedures and is in compliance with relevant requirements of the Guidelines for the Supervision and Administration on Listed Companies No. 2 - Supervision and Administration Requirements for Listed Companies on the Management and Use of Proceeds, the Shanghai Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 —Standardized Operation, the Articles of Association and Management Measures for Proceeds. The independent directors approved the relevant matters concerning the change of the use of the proceeds and agreed to submit the same to the shareholders' general meeting for consideration and approval.

(II) Opinions of the supervisory committee

The supervisory committee believes that the review procedure of the Company's change of the use of the proceeds and capital increase in a wholly-owned subsidiary complies with the relevant regulations of the China Securities Regulatory Commission and the Shanghai Stock Exchange, and the review and voting results are legal and valid. The change is a decision made by the Company based on the actual market situation and combined with the Company's competitive projects, which is beneficial for improving the efficiency of the use of the proceeds, enhancing the Company's profitability, safeguarding the interests of shareholders as a whole, and meeting the long-term development needs of the Company. There is no instance of prejudice to the interests of the Company and shareholders. The supervisory committee agreed to submit the same to the shareholders' general meeting for consideration and approval.

(III) Review opinions of the sponsor

Upon verification, the sponsor is of the view that: the change of proceeds-invested projects is considered and approved at the meeting of the board of directors and the supervisory committee, with explicit consent of independent directors, which complies with relevant requirements of the Guidelines for the Supervision and Administration on Listed Companies No. 2 - Supervision and Administration Requirements for Listed Companies on the Management and Use of Proceeds, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Guidelines for the Self-Regulatory and Supervision for Listed Companies on Shanghai Stock Exchange No. 1 – Standardized Operation and the Company's management system of proceeds. The matter relating to the change can only be implemented after the approval of the Company's general meeting. In conclusion, the sponsor has no objection to the change of the use of proceeds and capital increase in a wholly-owned subsidiary.

VII. RELEVANT MATTERS SUBMITTED TO THE SHAREHOLDERS' GENERAL MEETING FOR CONSIDERATION REGARDING THE CHANGE OF PROCEED-INVESTED PROJECT

The change of proceeds-invested project is considered and approved at the 7th meeting of the 8th session of the board of directors and the 4th meeting of the 8th session of the supervisory committee of the Company, and is required to submit to the Company's general meetings for consideration and approval.

A circular containing, among other things, further details of the aforesaid proposal, together with the notices of the general meeting and class meetings, will be dispatched to shareholders in due course.

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

Yantai, the PRC, 20 March 2023

As at the date of this announcement, the executive Directors are Mr. Wang An, Mr. Zhang Hui and Mr. Wang Yan Hui, the non-executive Director is Mr. Liu Tsung-Yi, and the independent non-executive Directors are Mr. Gong Fan, Ms. Wang Yan and Mr. Li Yao.

* *For identification purposes only*