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 2019

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 2019, with the comparatives of the corresponding period in 2018, as follows:

Consolidated Balance Sheet-unaudited

As at 30 June 2019

(Expressed in Renminbi Yuan)

	Note	**30 June 2019**	31 December 2018	1 January 2018
ASSETS				
Current assets:				
Cash at bank and on hand	V.1	**649,481,768**	378,686,607	79,398,474
Bills receivable	V.2	**2,226,158**	6,119,488	9,003,656
Accounts receivable	V.3	**150,665,008**	170,512,897	192,554,256
Prepayments	V.4	**9,147,855**	2,756,252	3,081,104
Other receivables	V.5	**1,829,910**	728,620	42,047,494
Inventories	V.6	**267,671,931**	494,326,530	771,009,840
Other current assets	V.7	**13,603,234**	28,843,320	51,348,620
Total current assets		**1,094,625,864**	1,081,973,714	1,148,443,444
Non-current assets:				
Fixed assets	V.8	**720,347,335**	738,005,022	738,422,507
Construction in progress	V.9	**10,997,895**	6,263,653	121,660
Intangible assets	V.10	**98,236,377**	89,629,235	89,228,391
Goodwill	V.11	**5,586,976**	5,586,976	5,586,976
Total non-current assets		**835,168,583**	839,484,886	833,359,534
Total assets		**1,929,794,447**	1,921,458,600	1,981,802,978

The notes on pages 13 to 94 form part of these financial statements.

	Note	**30 June 2019**	31 December 2018	1 January 2018
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term loans	V.14	**–**	50,000,000	170,000,000
Accounts payable	V.15	**29,551,694**	38,189,494	86,369,615
Contract liabilities	V.16	**599,551**	3,916,109	2,399,933
Employee benefits payable	V.17	**14,665,309**	20,939,844	21,275,667
Taxes payable	V.18	**4,984,436**	9,772,668	11,003,249
Other payables	V.19	**55,398,127**	17,949,193	12,445,942
Total current liabilities		**105,199,117**	140,767,308	303,494,406
Non-current liabilities:				
Long-term payables		**1,705,975**	1,687,458	840,584
Total non-current liabilities		**1,705,975**	1,687,458	840,584
Total liabilities		**106,905,092**	142,454,766	304,334,990
Shareholders' equity:				
Share capital	V.20	**358,000,000**	358,000,000	358,000,000
Capital reserve	V.21	**17,291,715**	17,291,715	17,291,715
Surplus reserve	V.22	**107,581,973**	107,581,973	107,111,132
Retained earnings	V.23	**1,340,015,667**	1,296,130,146	1,195,065,141
Total shareholders' equity		**1,822,889,355**	1,779,003,834	1,677,467,988
Total liabilities and shareholders' equity		**1,929,794,447**	1,921,458,600	1,981,802,978

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 94 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note V.19.

Company Balance Sheet-unaudited

As at 30 June 2019

(Expressed in Renminbi Yuan)

	Note	**30 June 2019**	31 December 2018	1 January 2018
ASSETS				
Current assets:				
Cash at bank and on hand		**584,385,020**	300,983,157	57,533,223
Bills receivable	XIV.1	**2,226,158**	6,119,488	6,026,975
Accounts receivable	XIV.2	**101,854,376**	150,898,112	121,596,500
Prepayments		**1,466,343**	28,477	594,527
Other receivables	XIV.3	**95,053,585**	144,994,128	278,952,992
Inventories		**49,245,781**	100,656,824	131,916,525
Other current assets		**10,244,454**	26,349,155	41,289,336
Total current assets		**844,475,717**	730,029,341	637,910,078
Non-current assets:				
Long-term equity investments	XIV.4	**429,794,825**	430,594,744	434,907,677
Fixed assets		**144,335,936**	146,023,213	166,825,696
Intangible assets		**29,782,741**	30,279,883	31,274,167
Total non-current assets		**603,913,502**	606,897,840	633,007,540
Total assets		**1,448,389,219**	1,336,927,181	1,270,917,618

The notes on pages 13 to 94 form part of these financial statements.

	Note	**30 June 2019**	31 December 2018	1 January 2018
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term loans		**–**	50,000,000	170,000,000
Accounts payable		**28,159,580**	17,768,081	35,588,166
Contract liabilities		**179,005**	1,948,734	1,520,786
Employee benefits payable		**1,293,170**	3,367,283	2,674,709
Taxes payable		**614,911**	293,347	233,581
Other payables		**489,129,450**	445,499,574	211,758,618
Total current liabilities		**519,376,116**	518,877,019	421,775,860
Total liabilities		**519,376,116**	518,877,019	421,775,860
Shareholders' equity:				
Share capital	V.20	**358,000,000**	358,000,000	358,000,000
Capital reserve		**43,534,413**	43,534,413	43,534,413
Surplus reserve		**107,581,973**	107,581,973	107,111,132
Retained earnings		**419,896,717**	308,933,776	340,496,213
Total shareholders' equity		**929,013,103**	818,050,162	849,141,758
Total liabilities and shareholders' equity		**1,448,389,219**	1,336,927,181	1,270,917,618

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Consolidated Income Statement-unaudited

For the six-month period ended 30 June 2019

(Expressed in Renminbi Yuan)

			For the six-month period ended 30 June	
		Note	**2019**	2018
I	Operating income	V.24	**376,868,830**	532,081,409
II	Less: Operating costs	V.24	**262,268,253**	398,286,709
	Taxes and surcharges	V.25	**5,181,792**	7,914,432
	Selling and distribution expenses		**19,262,293**	45,375,056
	General and administrative expenses		**18,817,979**	17,757,005
	Research and development expenses		**882,256**	773,170
	Financial expenses	V.26	**(2,337,882)**	(3,979,868)
	Including: Interest expenses		**24,607**	861,596
	Interest income		**3,143,254**	161,676
	Add: Other income	V.27(2)	**316,000**	2,107,400
	Investment income	V.28	**3,473,057**	2,629,215
	Including: Investment income from derecognition of financial assets at amortised cost		**994,096**	–
	Credit losses	V.29	**3,093,458**	(29,903)
	Impairment losses	V.30	**103,838**	(226,285)
	(Losses)/gains from asset disposals		**(4,102)**	225,944
III	Operating profit		**79,776,390**	70,661,276
	Add: Non-operating income		**315**	6,448
	Less: Non-operating expenses	V.31	**27,955**	964,511
IV	Profit before taxation		**79,748,750**	69,703,213
	Less: Income tax expenses	V.32	**63,229**	82,374
V	Net profit for the period and net profit attributable to shareholders of the Company		**79,685,521**	69,620,839
VI	Other comprehensive income, net of tax		**–**	–
VII	Total comprehensive income for the period and total comprehensive income attributable to shareholders of the Company		**79,685,521**	69,620,839
VIII	Earnings per share:			
	(1) Basic earnings per share	V.33	**0.223**	0.194
	(2) Diluted earnings per share	V.33	**0.223**	0.194

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei　　(Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Company Income Statement-unaudited

For the six-month period ended 30 June 2019

(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June **2019**	2018
I	Operating income	XIV.5	**217,883,349**	287,795,167
II	Less: Operating costs	XIV.5	**182,825,108**	258,633,171
	Taxes and surcharges		**1,241,330**	2,088,562
	Selling and distribution expenses		**7,391,062**	17,130,993
	General and administrative expenses		**6,520,606**	6,365,751
	Research and development expenses		**882,256**	773,170
	Financial expenses		**(2,976,982)**	(3,120,277)
	Including: Interest expenses		**6,090**	861,596
	Interest income		**2,838,292**	155,111
	Add: Other income		**163,000**	2,069,000
	Investment income	XIV.6	**119,236,127**	2,629,215
	Including: Investment income from derecognition of financial assets at amortised cost		**994,096**	–
	Credit losses		**6,064,228**	(29,903)
	Impairment losses		**(696,081)**	(2,991,517)
	(Losses)/gains from asset disposal		**(4,102)**	186,600
III	Operating profit		**146,763,141**	7,787,192
	Less: Non-operating expenses		**200**	202,207
IV	Profit before income tax		**146,762,941**	7,584,985
	Less: Income tax expenses		**–**	–
V	Net profit for the period		**146,762,941**	7,584,985
VI	Other comprehensive income, net of tax		**–**	–
VII	Total comprehensive income for the period		**146,762,941**	7,584,985

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei (Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Consolidated Cash Flow Statement-unaudited
For the six-month period ended 30 June 2019
(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June	
			2019	2018
I	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		**427,278,008**	604,943,027
	Refund of taxes		**25,515,509**	43,621,339
	Proceeds from other operating activities		**6,933,746**	4,679,858
	Sub-total of cash inflows		**459,727,263**	653,244,224
	Payments for goods and services		**(48,361,214)**	(149,921,755)
	Payments to and for employees		**(26,932,851)**	(25,457,100)
	Payments of various taxes		**(20,366,029)**	(25,424,642)
	Payments for other operating activities		**(23,594,071)**	(52,817,813)
	Sub-total of cash outflows		**(119,254,165)**	(253,621,310)
	Net cash inflow from operating activities	V.35(1)	**340,473,098**	399,622,914
II	Cash flows from investing activities:			
	Proceeds from disposal of financial assets		**1,717,830,000**	1,403,800,000
	Investment returns received		**3,473,057**	2,629,215
	Net proceeds from disposal of fixed assets		**–**	377,225
	Net proceeds from disposal of equity interests of a subsidiary		**–**	40,280,000
	Proceeds from other investing activities		**3,143,254**	161,676
	Sub-total of cash inflows		**1,724,446,311**	1,447,248,116
	Payments for acquisition of financial assets		**(1,717,830,000)**	(1,403,800,000)
	Payments for acquisition of fixed assets, construction in progress and intangible assets		**(27,542,307)**	(33,315,316)
	Sub-total of cash outflows		**(1,745,372,307)**	(1,437,115,316)
	Net cash inflow from investing activities		**(20,925,996)**	10,132,800

The notes on pages 13 to 94 form part of these financial statements.

		Note	**2019**	2018
			For the six-month period ended 30 June	
III	Cash flows from financing activities:			
	Proceeds from borrowings		**–**	20,000,000
	Proceeds from other financing activities		**1,050,000**	1,825,000
	Sub-total of cash inflows		**1,050,000**	21,825,000
	Repayments of borrowings		**(50,000,000)**	(170,000,000)
	Payments for interest		**(73,080)**	(1,455,130)
	Sub-total of cash outflows		**(50,073,080)**	(171,455,130)
	Net cash outflow from financing activities		**(49,023,080)**	(149,630,130)
IV	Effect of foreign currency exchange rate changes on cash and cash equivalents		**271,139**	4,555,557
V	Net increase in cash and cash equivalents	V.35(1)	**270,795,161**	264,681,141
	Add: Cash and cash equivalents at the beginning of the period		**378,686,607**	79,398,474
VI	Cash and cash equivalents at the end of the period	V.35(2)	**649,481,768**	344,079,615

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei　　(Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Company Cash Flow Statement-unaudited

For the six-month period ended 30 June 2019

(Expressed in Renminbi Yuan)

		For the six-month period ended 30 June	
		2019	2018
I	Cash flows from operating activities:		
	Proceeds from sale of goods	**279,825,035**	304,456,540
	Refund of taxes	**20,101,086**	29,116,297
	Proceeds from other operating activities	**5,111,387**	5,934,057
	Sub-total of cash inflows	**305,037,508**	339,506,894
	Payments for goods and services	**(120,608,552)**	(14,039,398)
	Payments to and for employees	**(8,031,561)**	(7,473,388)
	Payments of various taxes	**(960,159)**	(2,077,878)
	Payments for other operating activities	**(13,122,954)**	(21,420,456)
	Sub-total of cash outflows	**(142,723,226)**	(45,011,120)
	Net cash outflow from operating activities	**162,314,282**	294,495,774
II	Cash flows from investing activities:		
	Proceeds from disposal of financial assets	**1,717,830,000**	1,403,800,000
	Investment returns received	**119,236,127**	30,629,215
	Net proceeds from disposal of fixed assets	**–**	257,933
	Net proceeds from disposal of equity interests of a subsidiary	**–**	19,080,000
	Proceeds from other investing activities	**52,895,612**	65,253,577
	Sub-total of cash inflows	**1,889,961,739**	1,519,020,725
	Payments for acquisition of financial assets	**(1,717,830,000)**	(1,403,800,000)
	Payments for acquisition of fixed assets	**(2,175,430)**	(218,808)
	Sub-total of cash outflows	**(1,720,005,430)**	(1,404,018,808)
	Net cash inflow from investing activities	**169,956,309**	115,001,917

The notes on pages 13 to 94 form part of these financial statements.

	For the six-month period ended 30 June	
	2019	2018
III Cash flows from financing activities:		
Proceeds from other financing activities	**1,050,000**	1,825,000
Sub-total of cash inflows	**1,050,000**	1,825,000
Repayments of borrowings	**(50,000,000)**	(150,000,000)
Payments for interest	**(73,080)**	(1,455,130)
Sub-total of cash outflows	**(50,073,080)**	(151,455,130)
Net cash outflow from financing activities	**(49,023,080)**	(149,630,130)
IV Effect of foreign currency exchange rate changes on cash and cash equivalents	**154,352**	2,974,763
V Net increase in cash and cash equivalents	**283,401,863**	262,842,324
Add: Cash and cash equivalents at the beginning of the period	**300,983,157**	57,533,223
VI Cash and cash equivalents at the end of the period	**584,385,020**	320,375,547

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei (Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2019
(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2018		358,000,000	17,291,715	–	107,111,132	1,195,065,141	1,677,467,988
Changes in equity for the period							
1. Total comprehensive income		–	–	–	–	69,620,839	69,620,839
2. Appropriation of profits							
– Distributions to shareholders		–	–	–	–	(35,800,000)	(35,800,000)
Balance at 30 June 2018		358,000,000	17,291,715	–	107,111,132	1,228,885,980	1,711,288,827
Balance at 1 January 2019		**358,000,000**	**17,291,715**	**-**	**107,581,973**	**1,296,130,146**	**1,779,003,834**
Changes in equity for the period							
1. Total comprehensive income		**-**	**-**	**-**	**-**	**79,685,521**	**79,685,521**
2. Appropriation of profits	V.23						
– Distributions to shareholders		**-**	**-**	**-**	**-**	**(35,800,000)**	**(35,800,000)**
Balance at 30 June 2019		**358,000,000**	**17,291,715**	**-**	**107,581,973**	**1,340,015,667**	**1,822,889,355**

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Company Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2019
(Expressed in Renminbi Yuan)

	Note	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2018		358,000,000	43,534,413	–	107,111,132	340,496,213	849,141,758
Changes in equity for the period							
1. Total comprehensive income		–	–	–	–	7,584,985	7,584,985
2. Appropriation of profits							
– Distributions to shareholders		–	–	–	–	(35,800,000)	(35,800,000)
Balance at 30 June 2018		358,000,000	43,534,413	–	107,111,132	312,281,198	820,926,743
Balance at 1 January 2019		**358,000,000**	**43,534,413**	**-**	**107,581,973**	**308,933,776**	**818,050,162**
Changes in equity for the period							
1. Total comprehensive income		**-**	**-**	**-**	**-**	**146,762,941**	**146,762,941**
2. Appropriation of profits	V.23						
– Distributions to shareholders		**-**	**-**	**-**	**-**	**(35,800,000)**	**(35,800,000)**
Balance at 30 June 2019		**358,000,000**	**43,534,413**	**-**	**107,581,973**	**419,896,717**	**929,013,103**

Approved and authorised for issue by the board of directors on 22 August 2019.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 13 to 94 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

I. Company status

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

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

II. Basis of preparation

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

The Group has applied the revised CAS No.14 – Revenue (Revised) and the new financial instruments standards, such as CAS No.22 – Financial Instruments: Recognition and Measurement (Revised) from 1 January 2018. The Group has applied revised CAS No.21 – Lease (Revised) from 1 January 2019. (See Note III.29)

III. Significant accounting policies and accounting estimates

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

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) and present truly and completely the consolidated financial position and financial position of the Company as at 30 June 2019, and the consolidated and the Company's financial performance and the consolidated and the Company's cash flows for the six-month period ended 30 June 2019.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Functional currency

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

III. Significant accounting policies and accounting estimates (continued)

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

(1) Business combinations involving entities under common control

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

(2) Business combinations involving entities not under common control

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

5 Consolidated financial statements

(1) General principles

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

III. Significant accounting policies and accounting estimates (continued)

5 Consolidated financial statements (continued)

(1) General principles (continued)

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

(2) Subsidiaries acquired through a business combination

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

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

(3) Disposal of subsidiaries

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

6 Cash and cash equivalents

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

III. Significant accounting policies and accounting estimates (continued)

7 Foreign currency transactions and translation of foreign currency financial statements

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments

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

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

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

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

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

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

– collect contractual cash flows; and

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

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

(a) Classification of financial assets (continued)

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

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

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

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

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

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

– Financial assets at amortised cost

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

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

(b) Subsequent measurement of financial assets (continued)

– Debt investments at FVOCI

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

– Equity investments at FVOCI

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

(3) Classification and subsequent measurement of financial liabilities

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

– Financial liabilities at FVTPL

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

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

– Financial liabilities at amortised cost

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

(4) Offsetting

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(5) Derecognition of financial assets and financial liabilities

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

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

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

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

(6) Impairment

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

- financial assets measured at amortised cost; and
- contract assets.

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

Measurement of ECLs

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(6) Impairment (continued)

Measurement of ECLs (continued)

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

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

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

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

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

Financial instruments that have low credit risk

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

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

Significant increases in credit risk

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(6) Impairment (continued)

Significant increases in credit risk (continued)

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

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

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(6) Impairment (continued)

Credit-impaired financial assets

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Presentation of allowance for ECL

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

Write-off

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(7) Equity instrument

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

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

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

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

9 Inventories

(1) Classification and cost

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

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

(2) Mesurement method of cost of inventories

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

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

III. Significant accounting policies and accounting estimates (continued)

9 Inventories (continued)

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

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

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

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

(4) Inventory count system

The Group maintains a perpetual inventory system.

10 Long-term equity investments

(1) Investment cost of long-term equity investments

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

10 Long-term equity investments (continued)

(2) Subsequent measurement of long-term equity investment

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

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

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

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

11 Fixed assets

(1) Recognition of fixed assets

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

11 Fixed assets (continued)

(2) Depreciation of fixed assets

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

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

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

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

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

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

– when the fixed asset is holding for disposal; or

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

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

III. Significant accounting policies and accounting estimates (continued)

12 Construction in progress

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

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

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

13 Borrowing costs

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

14 Intangible assets

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

The amortisation period for intangible assets is as follows:

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

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

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

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

15 Goodwill

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

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

III. Significant accounting policies and accounting estimates (continued)

16 Impairment of assets other than inventories and financial assets

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

17 Fair value measurement

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

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

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

18 Provisions

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition

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

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

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

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

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

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– the customer can control the asset created or enhanced during the Group's performance; or

– the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition (continued)

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

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

– the Group has a present right to payment for the goods or services;

– the Group has transferred physical possession of the goods to the customer;

– the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and

– the customer has accepted the goods or services.

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

20 Contract costs

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

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

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

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

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

– the costs are expected to be recovered.

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

21 Employee benefits

(1) Short-term employee benefits

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

(2) Post-employment benefits – defined contribution plans

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

(3) Termination benefits

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

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

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

III. Significant accounting policies and accounting estimates (continued)

22 Government grants

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

23 Income tax

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

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

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

24 Lease

The accounting policies of lease are different before and after 1 January 2019. The details are as below:

Before 1 January 2019

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets leased out under operating leases

Fixed assets leased out under operating leases, are depreciated in accordance with the Group's depreciation policies described in Note III.11(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.16. Income derived from operating leases is recognised in profit or loss using the straight-line method over the lease term. If initial direct costs incurred in respect of the assets leased out are material, the costs are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Otherwise, the costs are charged to profit or loss immediately.

Upon the adoption of CAS No.21 – Lease (the "**new lease standard**"), the Group has applied the new lease standard from 1 January 2019. The details are as below. There are no significant cumulative effects of initial application of new lease standard. As a result, the Group has not recognised the adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statement at 1 January 2019, and comparative information has not been restated.

After 1 January 2019

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

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

III. Significant accounting policies and accounting estimates (continued)

24 Lease (continued)

After 1 January 2019 (continued)

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

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

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

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

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

(1) The Group as lessee

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

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

III. Significant accounting policies and accounting estimates (continued)

24 Lease (continued)

After 1 January 2019 (continued)

(1) The Group as lessee (continued)

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

24 Lease (continued)

After 1 January 2019 (continued)

(2) The Group as lessor

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

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

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

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

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

25 Profit distributions

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

26 Related parties

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

III. Significant accounting policies and accounting estimates (continued)

27 Segment reporting

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

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

28 Significant accounting estimates and judgments

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

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

– Impairment of receivables

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

– Provision for impairment of inventories

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

III. Significant accounting policies and accounting estimates (continued)

28 Significant accounting estimates and judgments (continued)

– Impairment of assets other than inventories and financial assets

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

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

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

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

– Income tax

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

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies

(a) Description of and reasons for changes in accounting policies

The Group has applied the recently revised accounting standards and interpretations in 2019:

- CAS No.21 – Lease (Revised) (the "**new lease standard**")
- Notice of MOF on the revised format of the 2019 Financial Statements for general entities (Caikuai [2019] No.6)

The Group has applied the above revised accounting standards and interpretations from 1 January 2019 and adjusted the related accounting policies.

(b) Major impact of changes in accounting policies

(i) New lease standard

The new lease standard replaces CAS No.21 – Lease issued by the MOF in 2006 (the "**old lease standard**"). The Group has applied the new lease standard from 1 January 2019 and adjusted the related accounting policies.

The new lease standard rectifies the definition of lease. The group makes assessment of whether a contract is, or contains, a lease, under the new lease standard.

- The Group as lessee

  Under the old lease standard, a lease is classified as finance lease or operating lease by whether all the risks and rewards incidental to ownership of an underlying asset to the Group.

  Under new lease standards, the Group recognizes right-of-use assets and lease liabilities for all leases (except for short-term leases or leases of low-value assets with simplified measurement), irrespective of finance lease or operating lease.

  A lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

- The Group as lessor

  No adjustment of the opening balance of retained earnings and the amount of other relevant items in the financial statement at 1 January 2019 is required. The Group has applied the new lease standard from the first adopt date.

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies (continued)

(b) Major impact of changes in accounting policies (continued)

(i) New lease standard (continued)

- The effect of application of new lease standard to the financial statement at 1 January 2019

  There are no significant cumulative effects of initial application of new lease standard. As a result, the Group has not recognised the adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statement at 1 January 2019, and comparative information has not been restated.

(ii) Presentation of financial statements

The Group has prepared financial statements for the six-month ended 30 June 2019 in accordance with the presentation format of the financial statements specified in Caikuai [2019] No.6. The Group has applied the new presentation requirements retrospectively.

The following table provide the effect of adjustments:

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2018:

	The Group		
	Before adjustments	**Adjustments**	**After adjustments**
Bills receivable	–	6,119,488	6,119,488
Accounts receivable	–	170,512,897	170,512,897
Bills and accounts receivable	176,632,385	(176,632,385)	–
Total		–	

	The Company		
	Before adjustments	**Adjustments**	**After adjustments**
Bills receivable	–	6,119,488	6,119,488
Accounts receivable	–	150,898,112	150,898,112
Bills and accounts receivable	157,017,600	(157,017,600)	–
Total		–	

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	9%, 10%, 11%, 16%, 17%
City maintenance and construction tax	Based on VAT paid	1%, 5%, 7%
Enterprise income tax	Based on taxable profits	15%, 25%

Note: According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment of the VAT Rate (Cai Shui [2018] No.32), the taxable business with VAT rates of 17% and 11% were changed to 16% and 10% respectively from 1 May 2018.

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

2 Tax preferential benefit

The Company and other domestic subsidiaries are subject to income tax rate 25% in 2019 (2018: 25%) except for the following subsidiaries and the overseas subsidiaries of the Company which were taxed at the local applicable income tax rates.

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

(b) For the six-month period ended at 30 June 2019, the produce and sale of fruit juice by Yantai North Andre Juice Co., Ltd. and the produce and sale of fruit juice and bio-stuff by Baishui Andre Juice Co., Ltd., Xuzhou Andre Juice Co., Ltd., Yantai Longkou Andre Juice Co., Ltd., Dalian Andre Juice Co., Ltd., Yongji Andre Juice Co., Ltd., Liquan Yitong Juice Co., Ltd. and Anyue Andre Lemon Industry Technology Co., Ltd. are exempt from the PRC income tax.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	**30 June 2019**	31 December 2018
Cash on hand	**54,914**	102,994
Deposits with banks	**649,426,854**	378,583,613
Total	**649,481,768**	378,686,607

As at 30 June 2019 and 31 December 2018, there are no bank deposits with restrictions placed on the Group's ownership.

2 Bills receivable

Item	**30 June 2019**	31 December 2018
Bank acceptance bills	**2,226,158**	6,119,488

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

As at 30 June 2019, the carrying amount of undue bills receivable that have been endorsed and derecognized are RMB1,100,000, the remaining maturities of the derecognized bills ranged from 1 to 5 months (31 December 2018: RMB4,328,596, the remaining maturities of the derecognized bills range from 1 to 4 months).

According to the Bill Law of the People's Republic of China, if the acceptance banks of bills receivable that are discounted or endorsed by the Group refuse to pay the bills, the bills' holders have recourse to the Group. Because there is no significant default risk about the endorsed bills' acceptance banks, the Board of Directors believe that the Group had substantially transferred almost all the risks and rewards of those bills which have been endorsed and derecognized. Therefore, the Group derecognized these bills in full.

V. Notes to the consolidated financial statements (continued)

3 Accounts receivable

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

Customer type	30 June 2019	31 December 2018
Third Parties	**138,941,004**	170,568,056
Related Parties	**16,659,050**	7,973,345
Sub-total	**155,600,054**	178,541,401
Less: Provision for bad and doubtful debts	**4,935,046**	8,028,504
Total	**150,665,008**	170,512,897

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

Ageing	30 June 2019	31 December 2018
Within 6 months (inclusive)	**148,020,452**	133,249,902
Over 6 months but within 1 year (inclusive)	**7,568,697**	45,288,886
Over 1 year but within 2 years (inclusive)	**10,905**	2,613
Sub-total	**155,600,054**	178,541,401
Less: Provision for bad and doubtful debts	**4,935,046**	8,028,504
Total	**150,665,008**	170,512,897

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

V. Notes to the consolidated financial statements (continued)

3 Accounts receivable (continued)

(3) Provision for bad and doubtful debts for accounts receivable is as follows:

Expected credit loss assessment for accounts receivable:

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

The following table provides information about the group's exposure to credit risk and ECLs for trade receivables as at 30 June 2019:

30 June 2019	**Expected loss rate**	**Year-end gross carrying amount**	**Year-end loss allowance**
Current (not past due)	1.07%	142,099,576	1,522,929
1-30 days past due	7%	8,860,162	620,211
31-60 days past due	19%	2,281,988	433,578
More than 61 days past due	100%	2,358,328	2,358,328
Total		155,600,054	4,935,046

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

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

	30 June 2019	31 December 2018
Balance under the original financial instruments standard		5,066,262
Impact on initial application of the new financial instrument standard		–
Balance at the beginning of the period/ Adjusted balance at the beginning of the year	**8,028,504**	5,066,262
Written-off during the period/year	**–**	–
Reversals during the period/year	**(6,064,228)**	–
Additions during the period/year	**2,970,770**	2,962,242
Balance at the end of the period/year	**4,935,046**	8,028,504

V. Notes to the consolidated financial statements (continued)

4 Prepayments

(1) Prepayments by type are as follows:

Type	30 June 2019	31 December 2018
Third Parties	**9,147,855**	2,756,252
Less: Provision for bad and doubtful debts	**–**	–
Total	**9,147,855**	2,756,252

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

Ageing	30 June 2019		31 December 2018	
	Amount	**Percentage(%)**	Amount	Percentage(%)
Within 1 year (inclusive)	**9,147,855**	**100%**	2,756,252	100%

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

V. Notes to the consolidated financial statements (continued)

5 Other receivables

Item	Notes	30 June 2019	31 December 2018
Others	(1)	**1,829,910**	728,620

(1) Others

(a) Other receivables by client are as follows:

Type	30 June 2019	31 December 2018
Related parties	**22,553**	–
Third parties	**1,807,357**	728,620
Sub-total	**1,829,910**	728,620
Less: Provision for bad and doubtful debts	**–**	–
Total	**1,829,910**	728,620

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

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**1,807,542**	706,252
Over 1 year but within 2 years (inclusive)	**2,550**	22,368
Over 2 years but within 3 years (inclusive)	**19,818**	–
Sub-total	**1,829,910**	728,620
Less: Provision for bad and doubtful debts	**–**	–
Total	**1,829,910**	728,620

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

V. Notes to the consolidated financial statements (continued)

6 Inventories

(1) Inventories by category are as follows:

Item	30 June 2019 Book value	30 June 2019 Provision for impairment of inventories	30 June 2019 Carrying amount	31 December 2018 Book value	31 December 2018 Provision for impairment of inventories	31 December 2018 Carrying amount
Raw materials and packaging materials	**37,676,977**	**–**	**37,676,977**	28,754,267	–	28,754,267
Work in progress	**31,726,272**	**–**	**31,726,272**	–	–	–
Finished goods	**201,257,172**	**(2,988,490)**	**198,268,682**	470,537,493	(4,965,230)	465,572,263
Total	**270,660,421**	**(2,988,490)**	**267,671,931**	499,291,760	(4,965,230)	494,326,530

As at 30 June 2019 and 31 December 2018, no inventories were pledged as securities by the Group.

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

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Raw materials and packaging materials	28,754,267	17,720,536	8,797,826	37,676,977
Work in progress	–	31,726,272	–	31,726,272
Finished goods	470,537,493	4,836,199	274,116,520	201,257,172
Sub-total	499,291,760	54,283,007	282,914,346	270,660,421
Less: Provision for impairment of inventories	4,965,230	–	1,976,740	2,988,490
Total	494,326,530	54,283,007	280,937,606	267,671,931

V. Notes to the consolidated financial statements (continued)

6 Inventories (continued)

(3) Provision for impairment of inventories

Item	**Balance at the beginning of the period**	**Additions during the period**	**Written back during the period**		**Balance at the end of the period**
			Reversals	**Written-off**	
Finished goods	4,965,230	–	(103,838)	(1,872,902)	2,988,490

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

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

7 Other current assets

Item	**30 June 2019**	31 December 2018
Input VAT recoverable	**13,599,983**	28,741,897
Prepaid income tax	**3,251**	101,423
Total	**13,603,234**	28,843,320

V. Notes to the consolidated financial statements (continued)

8 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Total
Cost					
At 1 January 2019	558,202,820	874,593,855	24,359,316	9,609,748	1,466,765,739
Additions during the period					
– Purchases	3,755,065	1,720,743	290,894	1,990,727	7,757,429
– Transfers from construction in progress	–	–	50,000	–	50,000
Reductions during the period					
– Disposals or retirement	–	(106,741)	(38,449)	–	(145,190)
– Transfers to construction in progress	(293,000)	–	–	–	(293,000)
– Offset government grants against the book value	–	(3,729,200)	–	–	(3,729,200)
At 30 June 2019	561,664,885	872,478,657	24,661,761	11,600,475	1,470,405,778
Accumulated depreciation					
At 1 January 2019	(156,161,694)	(514,934,926)	(18,434,106)	(6,810,904)	(696,341,630)
Charge for the period	(5,434,315)	(15,353,100)	(502,084)	(234,390)	(21,523,889)
Reductions during the period					
– Disposals or retirement	–	89,730	34,604	–	124,334
– Transfers to construction in progress	101,829	–	–	–	101,829
At 30 June 2019	(161,494,180)	(530,198,296)	(18,901,586)	(7,045,294)	(717,639,356)
Provision for impairment					
At 1 January 2019	(16,731,276)	(15,687,811)	–	–	(32,419,087)
At 30 June 2019	(16,731,276)	(15,687,811)	–	–	(32,419,087)
Carrying amounts					
At 30 June 2019	383,439,429	326,592,550	5,760,175	4,555,181	720,347,335
At 1 January 2019	385,309,850	343,971,118	5,925,210	2,798,844	738,005,022

As at 30 June 2019 and 31 December 2018, there are no fixed assets with restrictions placed on the Group's ownership.

As at 30 June 2019 and 31 December 2018, the carrying amount of the Group's fixed assets includes the property and land ownership which were purchased in USA in 2018.

V. Notes to the consolidated financial statements (continued)

8 Fixed assets (continued)

(2) Temporarily idle fixed assets

As at 30 June 2019 and 31 December 2018, the Group's temporarily idle fixed assets are as follows:

30 June 2019

Item	**Cost**	**Accumulated depreciation**	**Provision for impairment**	**Carrying amount**
Lemon processing line, accessory equipment and building*	**109,577,503**	**(24,965,151)**	**(30,343,875)**	**54,268,477**
Preserved fruit production line	**1,249,834**	**(644,064)**	**(480,787)**	**124,983**
Total	**110,827,337**	**(25,609,215)**	**(30,824,662)**	**54,393,460**

* For the six-month period ended 30 June 2019, Anyue Andre Lemon Industry Technology Co., Ltd. transferred the parts of the Lemon processing line and accessory equipments to other Intra-group companies.

31 December 2018

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Lemon processing line, accessory equipment and building	114,750,644	(25,517,306)	(31,938,300)	57,295,038
Preserved fruit production line	1,249,834	(644,064)	(480,787)	124,983
Total	116,000,478	(26,161,370)	(32,419,087)	57,420,021

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

V. Notes to the consolidated financial statements (continued)

8 Fixed assets (continued)

(2) Temporarily idle fixed assets (continued)

At the end of 30 June 2019 and 31 December 2018, The Group evaluates the recoverable amount of the asset group and reduces the carrying amount to its recoverable amount. No impairment loss of asset is required for the six-month period ended 30 June 2019 and 2018. The recoverable amount is determined by the amount of fair value less costs to sell of the asset group. The fair value is calculated using the cost method with reference to the full cost to re-establish the same or similar assets at the current price valuation date, after deducting the physical devaluation, functional devaluation and economic devaluation.

(3) Fixed assets acquired under finance leases

As at 30 June 2019 and 31 December 2018, no fixed assets were acquired under finance leases.

(4) Fixed assets leased out under operating leases

As at 30 June 2019, the carrying value of the fixed assets leased out by the Group under operating leases was RMB20,980,614 (2018: RMB20,017,501), which include two office buildings, several commercial stores and an apartment building located in Muping Economic Development Zone, Yantai Details are as follow:

Item	**Plant & buildings**
Cost	
At 1 January 2019	27,307,760
Additions during the period	
– Transfers	1,394,726
At 30 June 2019	28,702,486
Accumulated depreciation	
At 1 January 2019	(7,290,259)
Charge for the period	(323,764)
Transfers	(107,849)
At 30 June 2019	(7,721,872)
Carrying amounts	
At 30 June 2019	20,980,614
At 1 January 2019	20,017,501

V. Notes to the consolidated financial statements (continued)

8 Fixed assets (continued)

(5) Fixed assets pending certificates of ownership

As at 30 June 2019 and 31 December 2018, the Group's fixed assets with pending certificates of ownership are as follows:

Item	**30 June 2019 Carrying amount**	31 December 2018 Carrying amount	**Reason why certificates of ownership are pending**
Buildings of Liquan Yitong Juice Co., Ltd.	**49,429,043**	50,062,960	The certificates have not been dealt with due to historical reasons
Fresh fruit workshop of Anyue Andre Lemon Industry Technology Co., Ltd. (Note)	**–**	5,114,980	The certificates have not been dealt with due to the acceptance standards have not been met

Note: Anyue Andre Lemon Industry Technology Co., Ltd. have completed the process of the certificates of fresh fruit workshop on 17 April 2019.

V. Notes to the consolidated financial statements (continued)

9 Construction in progress

(1) Construction in progress

Project	30 June 2019 Book value	30 June 2019 Provison for impairment	30 June 2019 Carrying amount	31 December 2018 Book value	31 December 2018 Provison for impairment	31 December 2018 Carrying amount
Cold-air storage renovation of Yongji	**7,574,422**	**–**	**7,574,422**	5,403,653	–	5,403,653
Production line renovation of Baishui	**2,348,000**	**–**	**2,348,000**	700,000	–	700,000
Others	**1,075,473**	**–**	**1,075,473**	160,000	–	160,000
Total	**10,997,895**	**–**	**10,997,895**	6,263,653	–	6,263,653

As at 30 June 2019 and 31 December 2018, no interest was capitalized in construction in progress of the Group.

(2) Movements of major construction projects in progress during the period

Project	Budget	At 1 January 2019	Additions during the period	Transfers to fixed assets	At 30 June 2019	Percentage of actual cost to budget (%)	Project process	Sources of funds
Cold-air storage renovation of Yongji	8,355,302	5,403,653	2,220,769	(50,000)	7,574,422	91%	91%	Self-funded
Production line renovation of Baishui	3,996,000	700,000	1,648,000	–	2,348,000	59%	59%	Self-funded
Total	12,351,302	6,103,653	3,868,769	(50,000)	9,922,422			

V. Notes to the consolidated financial statements (continued)

10 Intangible assets

Item	Land use right
Cost	
At 1 January 2019	116,537,983
Additions during the period	
– Purchases	9,983,910
At 30 June 2019	126,521,893
Accumulated amortization	
At 1 January 2019	(26,908,748)
Charge for the period	(1,376,768)
At 30 June 2019	(28,285,516)
Carrying amounts	
At 30 June 2019	98,236,377
At 31 December 2018	89,629,235

As at 30 June 2019 and 31 December 2018, all of the Group's land use rights are on medium-term lease.

As at 30 June 2019 and 31 December 2018, no interest was capitalized in intangible assets, no intangible assets were used as mortgage for bank loans, and no land use rights were pending certificates of ownership of the Group.

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

11 Goodwill

(1) Changes in goodwill

Name of investee	Note	Balance at 1 January 2019	Additions during the period	Balance at 30 June 2019
Book value				
Anyue Andre Lemon Industry Technology Co., Ltd.	(a)	3,066,599	–	3,066,599
Yongji Andre Juice Co., Ltd.	(b)	4,566,293	–	4,566,293
Yantai Longkou Andre Juice Co., Ltd.	(c)	1,020,683	–	1,020,683
Sub-total		8,653,575	–	8,653,575
Provision for impairment				
Anyue Andre Lemon Industry Technology Co., Ltd.		(3,066,599)	–	(3,066,599)
Sub-total		(3,066,599)	–	(3,066,599)
Carrying amount		5,586,976	–	5,586,976

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

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

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

V. Notes to the consolidated financial statements (continued)

11 Goodwill (continued)

(2) Provision for impairment of goodwill

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

The recoverable amounts of Anyue Andre Lemon Industry Technology Co., Ltd., Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. are determined based on the present value of expected future cash flows. The present value of expected future cash flows was projected based on the next five-year financial forecast approved by management and a pre-tax discount rate of 10.05% (2018: 10.86%). The cash flows beyond the five-year forecast period were assumed to be stable.

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

12 Deferred tax assets

(1) Details of unrecognised deferred tax assets

Item	**30 June 2019**	31 December 2018
Deductible tax losses	**34,306,827**	42,827,591

(2) In accordance with the accounting policy set out in Note III.23, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB34,306,827 (2018: RMB42,827,591) as it is not probable that future taxable profits against which the losses can be utilised will be available to the Group. The domestic and overseas deductible tax losses can be deducted from future taxable income within 5 years and 20 years from the year when such losses were incurred under current tax laws respectively.

V. Notes to the consolidated financial statements (continued)

12 Deferred tax assets (continued)

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

Year	30 June 2019	31 December 2018
2019	**576,342**	576,342
2020	**11,844**	11,844
2021	**–**	–
2022	**32,752,494**	41,298,343
2023	**941,062**	941,062
2024	**25,085**	–
Total	**34,306,827**	42,827,591

13 Assets with restricted ownership or right of use

As at 30 June 2019 and 31 December 2018, there are no assets with restrictions placed on the Group's ownership.

14 Short-term loans

	31 December 2018		
Item	Annual interest rate	Currency	RMB
Guaranteed loans	4.44%	RMB	20,000,000
Guaranteed loans	4.35%	RMB	30,000,000
Total			50,000,000

As at 30 June 2019 and 31 December 2018, the Group did not have short-term loans past due.

Information for guranteed loans is set out in Note IX.6.

V. Notes to the consolidated financial statements (continued)

15 Accounts payable

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

Supplier type	30 June 2019	31 December 2018
Third parties	**29,323,169**	38,174,800
Related parties	**228,525**	14,694
Total	**29,551,694**	38,189,494

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

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**25,921,628**	35,095,445
Over 1 year	**3,630,066**	3,094,049
Total	**29,551,694**	38,189,494

16 Contract liabilities

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

V. Notes to the consolidated financial statements (continued)

17 Employee benefits payable

(1) Details of employee benefits payable:

	At 1 January 2019	Accrued during the period	Decreased during the period	At 30 June 2019
Short-term employee benefits	20,939,844	18,402,772	24,677,307	14,665,309
Post-employment benefits – defined contribution plans	–	2,255,544	2,255,544	–
Total	20,939,844	20,658,316	26,932,851	14,665,309

(2) Short-term employee benefits

	At 1 January 2019	Accrued during the period	Decreased during the period	At 30 June 2019
Salaries, bonuses, allowances and subsidies	10,563,278	16,646,085	22,494,118	4,715,245
Staff bonus and welfare fund	10,371,394	–	425,200	9,946,194
Social insurance				
Medical insurance	–	945,439	945,439	–
Work-related injury insurance	–	145,867	145,867	–
Maternity insurance	–	135,062	135,062	–
Housing fund	–	439,358	439,358	–
Labour union fee and staffs' education fee	5,172	90,961	92,263	3,870
Total	20,939,844	18,402,772	24,677,307	14,665,309

V. Notes to the consolidated financial statements (continued)

17 Employee benefits payable (continued)

(3) Post-employment benefits – defined contribution plans

	At 1 January 2019	Accrued during the period	Decreased during the period	At 30 June 2019
Basic pension insurance	–	2,161,000	2,161,000	–
Unemployment insurance	–	94,544	94,544	–
Total	–	2,255,544	2,255,544	–

As at 30 June 2019 and 31 December 2018, the Group did not have payment in arrears in the balance of employee benefits payable.

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

V. Notes to the consolidated financial statements (continued)

18 Taxes payable

Item	30 June 2019	31 December 2018
Value-added tax	**3,160,395**	5,981,963
Land use tax	**816,673**	597,506
Property tax	**646,265**	515,534
Others	**361,103**	2,677,665
Total	**4,984,436**	9,772,668

19 Other payables

Item	Notes	30 June 2019	31 December 2018
Interest payable		**–**	66,990
Dividends payable	(1)	**35,800,000**	–
Others	(2)	**19,598,127**	17,882,203
Total		**55,398,127**	17,949,193

(1) Dividends payable

Pursuant to the resolution passed at the annual general meeting held on 26 June 2019, the dividend for 2018 was RMB0.1 per share totalling RMB35,800,000, and was approved for distribution to the shareholders of the Company.

The Group did not have individual or significant dividends payable denominated in the foreign currency as at 30 June 2019 and 31 December 2018.

(2) Others

Item	30 June 2019	31 December 2018
Related party	**60,873**	–
Third party	**19,537,254**	17,882,203
Total	**19,598,127**	17,882,203

V. Notes to the consolidated financial statements (continued)

20 Share capital

	Balance at the beginning of the period	Changes during the period: Issue of new shares	Share consolidation	Purchase of own shares	Sub-total	Balance at the end of the period
30 June 2019						
Total number of shares	358,000,000	–	–	–	–	358,000,000
Amount (RMB)	358,000,000	–	–	–	–	358,000,000

21 Capital reserve

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

22 Surplus reserve

Item	Balance at the beginning of the period	Additions during the period	Balance at the end of the period
Statutory surplus reserve	107,581,973	–	107,581,973

V. Notes to the consolidated financial statements (continued)

23 Retained earnings

Item	Note	**Amount**
At 1 January 2019		1,296,130,146
Add: Net profits for the period attributable to shareholders of the Company		79,685,521
Less: Dividends payable to ordinary shares	(1)	35,800,000
At 30 June 2019		1,340,015,667

As at 30 June 2019, the distributable reserve of the Company amounted to RMB419,896,717 (2018: RMB308,933,776).

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

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

The Board does not recommend interim dividends for the six months ended 30 June 2019 and 30 June 2018.

24 Operating income and operating costs

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
Item	**Income**	**Cost**	Income	Cost
Principal businesses	**373,980,284**	**260,867,453**	529,515,398	397,035,692
Other businesses	**2,888,546**	**1,400,800**	2,566,011	1,251,017
Total	**376,868,830**	**262,268,253**	532,081,409	398,286,709

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

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

V. Notes to the consolidated financial statements (continued)

25 Taxes and surcharges

Item	For the six-month period ended 30 June 2019	2018
Urban maintenance and construction tax	**776,469**	1,698,359
Education surcharges	**762,751**	1,820,482
Property tax	**1,677,895**	1,753,037
Land use tax	**1,671,115**	1,965,926
Others	**293,562**	676,628
Total	**5,181,792**	7,914,432

26 Financial expenses

Item	For the six-month period ended 30 June 2019	2018
Interest expenses arising from borrowings	**24,607**	861,596
Government grants-interest discounts	**(1,050,000)**	(1,825,000)
Interest income from deposits	**(3,143,254)**	(161,676)
Net exchange losses/(gains)	**1,691,528**	(3,102,924)
Other financial expenses	**139,237**	248,136
Total	**(2,337,882)**	(3,979,868)

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

For the six-month ended 30 June 2018, Yantai Muping Finance Bureau and Forestry Bureau appropriated interest subsidy of RMB1,825,000 to the Group, which offsetted against financial expenses.

V. Notes to the consolidated financial statements (continued)

27 Government grants

(1) Government grants related to assets

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

Effect on assets

Item	For the six-month period ended 30 June 2019	2018
Offset against book value of fixed assets		
Grant for purchasing research and development equipment	**800,000**	–
Grant for production line modification	**2,929,200**	–
Total	**3,729,200**	–

(2) Government grant related to income

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

Item	For the six-month period ended 30 June 2019	2018
Research and development subsidies	**–**	1,603,000
Foreign trade subsidies	**193,000**	504,400
Tax reward	**20,000**	–
Others	**103,000**	–
Total	**316,000**	2,107,400

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

For the six-month period ended 30 June 2018, the Group received grants totaling RMB2,107,400 from various government authorities, which is directly included in other income. The Group used the interest subsidy to offset against financial expenses. For the information of interest subsidy, refer to Note V.26.

V. Notes to the consolidated financial statements (continued)

28 Investment income

Investment income by item

Item	For the six-month period ended 30 June 2019	2018
Investment income from disposal of financial assets held for trading	**2,478,961**	2,629,215
Investment income from disposal of debt investments	**994,096**	–
Total	**3,473,057**	2,629,215

29 Credit losses

Item	For the six-month period ended 30 June 2019	2018
Accounts receivable	**(3,093,458)**	29,903

30 Impairment losses

Item	For the six-month period ended 30 June 2019	2018
Inventories	**(103,838)**	226,285

31 Non-operating expenses

Item	For the six-month period ended 30 June 2019	2018
Donations	**–**	809,977
Others	**27,955**	154,534
Total	**27,955**	964,511

V. Notes to the consolidated financial statements (continued)

32 Income tax expenses

Item	For the six-month period ended 30 June 2019	2018
Current tax expenses for the period estimated in accordance with tax law and regulations	**–**	9,823
Tax filing difference	**63,229**	72,551
Total	**63,229**	82,374

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

Item	For the six-month period ended 30 June 2019	2018
Profit before taxation	**79,748,750**	69,703,213
Expected income tax expenses at tax rate of 25%	**19,937,188**	17,425,803
Effect of non-taxable income	**(15,795,729)**	(17,522,596)
Effect of different tax rates applied by certain subsidiaries	**204,371**	135,685
Effect of unrecognised deferred tax asset for deductible loss this year	**6,271**	38,896
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	**(3,263,945)**	(300,376)
Tax filling differences	**63,229**	72,551
Effect of non-deductible costs, expenses and losses	**(1,088,156)**	232,411
Income tax expenses	**63,229**	82,374

V. Notes to the consolidated financial statements (continued)

33 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

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

	For the six-month period ended 30 June	
	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	**79,685,521**	69,620,839
Weighted average number of ordinary shares outstanding	**358,000,000**	358,000,000
Basic earnings per share (RMB/share)	**0.223**	0.194
Diluted earnings per share (RMB/share)	**0.223**	0.194

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

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

	For the six-month period ended 30 June	
	2019	2018
Issued ordinary shares at the beginning of the period	**358,000,000**	358,000,000
Effect of repurchase of own shares	**–**	–
Weighted average number of ordinary shares at the end of the period	**358,000,000**	358,000,000

V. Notes to the consolidated financial statements (continued)

34 Supplement to income statement

Expenses are analysed by their nature:

Item	For the six-month period ended 30 June 2019	2018
Operating income	**376,868,830**	532,081,409
Less: Changes in inventories of finished goods and work in progress	**237,554,049**	330,124,807
Raw materials and packaging materials used	**8,797,826**	47,981,215
Employee benefits expenses	**20,658,316**	19,126,711
Depreciation and amortisation expenses	**22,900,657**	22,113,669
Financial expenses	**(2,337,882)**	(3,979,868)
Other expenses	**16,501,725**	50,759,970
Add: Other income	**316,000**	2,107,400
Investment income	**3,473,057**	2,629,215
Credit impairment loss	**3,093,458**	(29,903)
Impairment losses	**103,838**	(226,285)
(Losses)/gains from asset disposal	**(4,102)**	225,944
Operating profit	**79,776,390**	70,661,276

35 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

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

Item	For the six-month period ended 30 June 2019	2018
Net profit	**79,685,521**	69,620,839
Add: Depreciation of fixed assets	**21,523,889**	20,868,407
Amortisation of intangible asset	**1,376,768**	1,245,262
Credit impairment loss	**(3,093,458)**	29,903
Provisions for impairment of assets	**(103,838)**	226,285
Losses from disposal of fixed assets	**4,102**	(225,944)
Losses from scrapping of fixed assets	**16,754**	–
Financial expenses	**(4,439,786)**	(5,680,637)
Investment income	**(3,473,057)**	(2,629,215)
Decrease in gross inventories	**226,758,437**	326,480,838
Decrease in operating receivables	**44,371,464**	36,597,030
Decrease in operating payables	**(22,153,698)**	(46,909,854)
Net cash inflow from operating activities	**340,473,098**	399,622,914

V. Notes to the consolidated financial statements (continued)

35 Supplementary information on cash flow statement (continued)

(1) Supplement to cash flow statement (continued)

b. Change in cash and cash equivalents:

Item	For the six-month period ended 30 June 2019	2018
Cash and cash equivalents at the end of the period	**649,481,768**	344,079,615
Less: Cash and cash equivalents at the beginning of the period	**378,686,607**	79,398,474
Net increase in cash and cash equivalents	**270,795,161**	264,681,141

(2) Details of cash and cash equivalents

Item	For the six-month period ended 30 June 2019	2018
Cash at bank and on hand	**649,481,768**	344,079,615
Including: Cash on hand	**54,914**	83,062
Bank deposits available on demand	**649,426,854**	343,996,553
Closing balance of cash and cash equivalents	**649,481,768**	344,079,615

V. Notes to the consolidated financial statements (continued)

36 Lease

As a lessor

Operating lease

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

For the six-month period ended 30 June 2019, part of the plants and buildings were leased out by the Group with the rental period of 1 to 3 years. The Group classified its lease as operating lease, because the lease did not transfer substantially all the risks and rewards incidental to ownership of the assets.

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

Item	For the six-month period ended 30 June
Within 1 year (inclusive)	2,100,445
Over 1 year but within 2 years (inclusive)	403,200
Over 2 years but within 3 years (inclusive)	403,200
Total	2,906,845

VI. Interests in other entities

Composition of the Group

Name of the Subsidiary	Principal place of business and registration place	Business nature	Registered capital	Shareholding percentage Direct	Indirect	Acquisition method
Baishui Andre Juice Co., Ltd.	Shaanxi, PRC	Manufacture and sale of condensed juice	USD17,125,000	74.44%	25.56%	establishment
Yantai Longkou Andre Juice Co., Ltd.	Shandong, PRC	Manufacture and sale of condensed juice	USD18,000,000	50.37%	49.63%	establishment
Xuzhou Andre Juice Co., Ltd.	Jiangsu, PRC	Manufacture and sale of condensed juice	USD10,000,000	75%	25%	establishment
Andre Juice Co., Ltd.	British Virgin Islands	Investment holding	USD50,000	100%	–	establishment
North Andre Juice (USA) Inc.	The United States of America	Sale of condensed juice	USD10,000	–	100%	establishment
Dalian Andre Juice Co., Ltd.	Liaoning, PRC	Manufacture and sale of condensed juice	RMB80,000,000	70%	30%	establishment
Yantai Andre Juice Co., Ltd.	Shandong, PRC	Manufacture and sale of fruit pulp	USD4,832,000	75%	25%	establishment
Yongji Andre Juice Co., Ltd.	Shanxi, PRC	Manufacture and sale of condensed juice	USD12,960,000	75%	25%	acquisition
Anyue Andre Lemon Industry Technology Co., Ltd.	Sichuan, PRC	Manufacture and sale of condensed juice	RMB50,000,000	100%	–	acquisition
Liquan Yitong Juice Co., Ltd.	Shaanxi, PRC	Manufacture and sale of condensed juice	RMB100,000,000	–	100%	acquisition

VII. Risk related to financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk
- Other price risk

The following mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the period, and the Group's objectives, policies and processes for measuring and managing risks, and their changes during the period.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and receivables, etc. Exposure to these credit risks are monitored by management on an ongoing basis.

The Group generally invests only in securities (excluding long-term strategic investments) and trust products with active markets and trades in good credit. In view of this, the management of the group does not expect that the counterparty will not perform its obligations.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any other guarantees which would expose the Group to credit risk.

VII. Risk related to financial instruments (continued)

1 Credit risk (continued)

(1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date,31% (31 December 2018: 26%) of the total accounts receivable were due from the five largest customers of the Group. In addition, the debtors of the Group that are neither past due nor impaired mainly relate to a wide range of customers for whom there was no recent history of default.

In respect of receivables, the risk management committee of the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Duedates of receivables vary from 15-240 days from the day of issue. Debtors with balances that past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

For information about the accounts receivable, refer to Note V.3.

VII. Risk related to financial instruments (continued)

2 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	30 June 2019 Contractual undiscounted cash flow					
Item	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at balance sheet date**
Financial liabilities						
Accounts payable	**29,551,694**	**–**	**–**	**–**	**29,551,694**	**29,551,694**
Other payables	**55,398,127**	**–**	**–**	**–**	**55,398,127**	**55,398,127**
Long-term payables	**90,000**	**90,000**	**629,840**	**1,111,000**	**1,920,840**	**1,705,975**
Total	**85,039,821**	**90,000**	**629,840**	**1,111,000**	**86,870,661**	**86,655,796**

	31 December 2018 Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Financial liabilities						
Short-term loans	50,884,065	–	–	–	50,884,065	50,000,000
Accounts payable	38,189,494	–	–	–	38,189,494	38,189,494
Other payables	17,882,203	–	–	–	17,882,203	17,882,203
Long-term payables	90,000	90,000	629,840	1,111,000	1,920,840	1,687,458
Total	107,045,762	90,000	629,840	1,111,000	108,876,602	107,759,155

VII. Risk related to financial instruments (continued)

3 Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure. The Group does not enter into financial derivatives to hedge interest rate risk.

(a) As at 30 June, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

	30 June 2019		31 December 2018	
Item	**Effective interest rate**	**Amount**	Effective interest rate	Amount
Financial liabilities				
– Short-term loans	**–**	**–**	4.35% ~ 4.44%	(50,000,000)
Total		**–**		(50,000,000)

Variable rate instruments:

	30 June 2019		31 December 2018	
Item	**Effective interest rate**	**Amount**	Effective interest rate	Amount
Financial assets				
– Cash at bank	**0.01% ~ 0.30%**	**649,426,854**	0.01% ~ 0.30%	378,583,613

(b) Sensitivity analysis

As at 30 June 2019, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's equity and net profit by RMB2,435,351 (2018: RMB1,419,689).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

VII. Risk related to financial instruments (continued)

4 Foreign currency risk

In respect of cash at bank and on hand, accounts receivable and payable, short-term loans and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) As at 30 June, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

Item	**30 June 2019** Balance at foreign currency	**30 June 2019** Balance at RMB equivalent	31 December 2018 Balance at foreign currency	31 December 2018 Balance at RMB equivalent
Cash at bank and on hand				
USD	**18,306,720**	**125,853,211**	28,372,585	194,726,723
HKD	**710,854**	**625,339**	851,421	746,015
Accounts receivable				
USD	**15,940,541**	**109,586,435**	22,999,288	157,848,717
Accounts payable				
USD	**(206,352)**	**(1,418,610)**	(1,054,866)	(7,239,756)
Net balance sheet exposure				
USD	**34,040,909**	**234,021,036**	50,317,007	345,335,684
HKD	**710,854**	**625,339**	851,421	746,015

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		**Reporting date mid-spot rate**	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
HKD	**0.8780**	0.8561	**0.8797**	0.8762
USD	**6.8690**	6.6987	**6.8747**	6.8632

VII. Risk related to financial instruments (continued)

4 Foreign currency risk (continued)

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and Hong Kong dollar at 30 June would have decreased the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the balance sheet date.

	Equity	**Net profit**
As at 30 June 2019		
USD	**8,775,789**	**8,775,789**
HKD	**23,450**	**23,450**
Total	**8,799,239**	**8,799,239**
As at 31 December 2018		
USD	12,950,088	12,950,088
HKD	27,976	27,976
Total	12,978,064	12,978,064

A 5% weakening of the Renminbi against the US dollar and Hong Kong dollar at 30 June would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis for the previous year.

5 Other price risks

Other price risks include commodity price risk.

VIII. Fair value disclosure

The following information presents the fair value information and the fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs:	unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
Level 2 inputs:	inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
Level 3 inputs:	inputs that are unobservable for underlying assets or liabilities.

1 Fair value of assets and liabilities measured at fair value at the end of the period/year

As at 30 June 2019 and 31 December 2018, there is no financial assets and liabilities measured at fair value.

2 Fair values of other financial assets (items not measured at fair value at the end of the period/year)

All financial instruments are carried at amounts not materially different from their fair value as at 30 June 2019 and 31 December 2018 on the Group's ownership.

IX. Related parties and related party transactions

1 Ultimate holding party of the Company.

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

2 Information about the subsidiaries of the Company

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

IX. Related parties and related party transactions (continued)

3 Information on other related parties

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

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

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

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

IX. Related parties and related party transactions (continued)

4 Transactions with related parties

For the six-month period ended 30 June 2019, the Group entered into transactions with related parties as set out as follows. Apart from the items disclosed in the Report of the Directors under the section "Connected Transactions", all the material related party transactions disclosed below did not constitute non-exempt connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(1) Related party transactions

	The Group For the six-month period ended 30 June		**The Company For the six-month period ended 30 June**	
	2019	2018	**2019**	2018
Sales of goods and service	**69,659,405**	10,487,050	**34,700,269**	19,218,272
Purchases of goods and service	**1,203,637**	4,816,358	**120,089,181**	196,485,687
Rental incomes	**487,725**	321,110	**286,125**	321,110
Storage incomes	**168,300**	168,300	**168,300**	168,300
Purchase of fixed assets	**–**	–	**107,672**	123,929
Sales of fixed assets	**–**	–	**–**	14,105,754
Fund collection	**–**	–	**50,182,219**	64,969,571
Fund received	**–**	20,000,000	**–**	–
Fund returned	**–**	20,000,000	**–**	–
Dividend distribution	**25,053,600**	25,053,600	**25,053,600**	25,053,600

(2) Remuneration of key management personnel

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

The Group

Item	**For the six-month period ended 30 June 2019**	2018
Remuneration of key management personnel	**1,948,989**	1,646,827

The Company

Item	**For the six-month period ended 30 June 2019**	2018
Remuneration of key management personnel	**1,511,972**	1,188,068

For the six-month period ended 30 June 2019 and 30 June 2018, no emoluments were paid to the directors or supervisors as an inducement to join or upon joining the Company or as compensation for loss of office. For the six-month period ended 30 June 2019 and 30 June 2018, no fees or any other emoluments were waived by directors or supervisors.

IX. Related parties and related party transactions (continued)

5 Receivables from and payables to related parties

	The Group		The Company	
	30 June 2019	31 December 2018	**30 June 2019**	31 December 2018
Accounts receivable	**16,659,050**	7,973,345	**21,364,177**	42,096,010
Other receivables-dividends receivable	**–**	–	**25,699,658**	25,699,658
Other receivables-others	**22,553**	–	**68,875,893**	119,058,112
Accounts payable	**228,525**	14,694	**19,208,225**	5,244,670
Other payables-others	**60,873**	–	**449,623,069**	441,389,335
Other payables- dividends payable	**25,053,600**	–	**25,053,600**	–

6 Guarantee

(1) The Group as a guarantee

	For the six-month period ended 30 June			
	2019		2018	
Name of guarantee	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**–**	**N/A**	20,000,000	N
Shandong Andre Group Co., Ltd.	**50,000,000**	**Y**	50,000,000	Y
Total	**50,000,000**		70,000,000	

(2) The Company as a guarantee

	For the six-month period ended 30 June			
	2019		2018	
Name of guarantee	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**–**	**N/A**	20,000,000	N
Shandong Andre Group Co., Ltd.	**50,000,000**	**Y**	50,000,000	Y
Total	**50,000,000**		70,000,000	

X. Capital management

The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group defines "capital" as including all components of equity plus any loans from related parties with no fixed terms of repayment, less unaccrued proposed dividends. The balances of related party transactions are not regarded by the Group as capital.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and return for shareholders. Factors for the Group's consideration include: its future funding requirements, capital efficiency, actual and expected profitability, expected cash flows, and expected capital expenditure. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group.

The Group's capital structure is monitored on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term loans and long-term payables) plus unaccrued proposed dividends, less related-party loans with no fixed repayment terms and cash and cash equivalents.

For the six-month period ended 30 June 2019, the Group's strategy, which was unchanged from 2018, was to maintain an adjusted net debt-to-capital. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, request new loans, issue new shares, or sell assets to reduce debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

XI. Commitments and Contingencies

1 Significant commitments

(1) Capital commitments

Item	**30 June 2019**	31 December 2018
Signed contracts for acquisition of fixed assets being or to be executed	**9,589,819**	1,670,668

(2) Lease commitments

As at 30 June 2019 and 31 December 2018, the Group and the Company had no non-cancellable leases.

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

As at 30 June 2019 and 31 December 2018, the Group did not have contingent liabilities arising from outstanding litigations and arbitration.

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

As at 30 June 2019 and 31 December 2018, the Group did not provide guarantees in respect of the bank loans of other companies.

XII. Subsequent events

There were no material post balance sheet date events.

XIII. Other significant items

Segment reporting

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

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

	For the six-month period ended 30 June	
Geographical location	**2019**	2018
China	**127,086,510**	106,400,964
North America	**45,775,100**	182,303,792
Asia (excluding China)	**134,175,050**	82,144,767
Europe	**30,877,390**	79,771,921
Africa	**9,032,229**	59,898,549
Oceania	**29,922,551**	21,162,210
South America	**–**	399,206
Total	**376,868,830**	532,081,409

As at 30 June 2019, the carrying amount of non-current assets located overseas is RMB12,688,416 (31 December 2018: RMB12,806,254).

For the six-month period ended 30 June 2019 and 30 June 2018, the Group has 2 customers (For the six-month ended 30 June 2018: no customer), the operating income from which is over 10% of the Group's total operating income. The operating income from this customer represents approximately 23% of the Group's total operating income. The income amount of this customer is set out as follows:

	For the six-month period ended 30 June 2019		For the six-month period ended 30 June 2018	
Customers	**Geographical location**	**Amount**	Geographical location	Amount
Customer 1	**Asia (excluding China)**	**43,730,141**	Asia (excluding China)	below 10% of the Group's total operating income
Customer 2	**Asia (excluding China)**	**42,173,579**	Asia (excluding China)	below 10% of the Group's total operating income

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

1 Bills receivable

Item	**30 June 2019**	31 December 2018
Bank acceptance bills	**2,226,158**	6,119,488

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

As at 30 June 2019, the Company did not have undue bills receivable that had been endorsed and derecognized (31 December 2018: RMB4,028,596, the remaining matunities of the derecognized bills range from 1 to 4 months).

According to the Bill Law of the People's Republic of China, if the acceptance banks of bills receivable that are discounted or endorsed by the Company refuse to pay the bills, the bills' holders have recourse to the Company. Because there is no significant default risk about the endorsed bills' acceptance banks, the Board of Directors believe that the Company had substantially transferred almost all the risks and rewards of those bills which have been endorsed and derecognized. Therefore, the Company derecognized these bills in full.

2 Accounts receivable

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

Customer type	**30 June 2019**	31 December 2018
Subsidaries	**19,446,533**	41,464,465
Other related parties	**1,917,644**	631,545
Third parties	**82,454,475**	116,830,606
Sub-total	**103,818,652**	158,926,616
Less: Provision for bad and doubtful debts	**1,964,276**	8,028,504
Total	**101,854,376**	150,898,112

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

2 Accounts receivable (continued)

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

Ageing	30 June 2019	31 December 2018
Within 6 months (inclusive)	**96,484,131**	117,492,619
After 6 months but within 1 year (inclusive)	**7,329,491**	41,431,384
After 1 year but within 2 years (inclusive)	**5,030**	2,613
Sub-total	**103,818,652**	158,926,616
Less: Provision for bad and doubtful debts	**1,964,276**	8,028,504
Total	**101,854,376**	150,898,112

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

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

	30 June 2019	31 December 2018
Balance under the original financial instruments standard		5,066,262
Impact on initial application of the new financial instruments standard		–
Balance at the beginning of the period/ Adjusted balance at the beginning of the year	**8,028,504**	5,066,262
Written-off during the period/year	**–**	–
Reversals during the period/year	**(6,064,228)**	–
Additions during the period/year	**–**	2,962,242
Balance at the end of the period/year	**1,964,276**	8,028,504

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

3 Other receivables

Item	Notes	30 June 2019	31 December 2018
Dividends receivable		**25,699,658**	25,699,658
Others	(1)	**69,353,927**	119,294,470
Total		**95,053,585**	144,994,128

(1) Others

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

Type	30 June 2019	31 December 2018
Subsidiaries	**68,875,893**	119,058,112
Third parties	**478,034**	236,358
Sub-total	**69,353,927**	119,294,470
Less: Provision for bad and doubtful debts	**–**	–
Total	**69,353,927**	119,294,470

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

Ageing	30 June 2019	31 December 2018
Within 1 year (inclusive)	**69,353,927**	119,294,470
Sub-total	**69,353,927**	119,294,470
Less: Provision for bad and doubtful debts	**–**	–
Total	**69,353,927**	119,294,470

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

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

4 Long-term equity investments

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

Item	30 June 2019	31 December 2018
Investments in subsidiaries	**465,462,159**	465,462,159
Less: Provision for impairment	**35,667,334**	34,867,415
Total	**429,794,825**	430,594,744

As at 30 June 2019 and 31 December 2018, the Company recognised impairment provisions of RMB35,667,334 and RMB34,867,415, respectively for the long-term equity investment in Anyue Andre Lemon Industry Technology Co., Ltd.

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

	Book value of long-term equity investment								
Investee	Investment cost	At 1 January	Increase/ Decrease	At 30 June	Provision for impairment	Balance of provision for impairment at the end of the period	Shareholding percentage (%)	Voting rights percentage (%)	Cash dividend for the period
Cost method-subsidiaries									
Baishui Andre Juice Co., Ltd.	110,630,130	110,630,130	-	110,630,130	-	-	74.44%	74.44%	-
Yantai Longkou Andre Juice Co., Ltd.	80,622,696	80,622,696	-	80,622,696	-	-	50.37%	50.37%	84,263,070
Xuzhou Andre Juice Co., Ltd.	58,645,418	58,645,418	-	58,645,418	-	-	75%	75%	-
Andre Juice Co., Ltd.	8	8	-	8	-	-	100%	100%	-
Dalian Andre Juice Co., Ltd.	56,000,000	56,000,000	-	56,000,000	-	-	70%	70%	-
Yantai Andre Juice Co., Ltd.	30,000,000	30,000,000	-	30,000,000	-	-	75%	75%	-
Yongji Andre Juice Co., Ltd.	77,443,907	77,443,907	-	77,443,907	-	-	75%	75%	31,500,000
Anyue Andre Lemon Industry Technology Co., Ltd.	52,120,000	52,120,000	-	52,120,000	799,919	35,667,334	100%	100%	-
Total	465,462,159	465,462,159	-	465,462,159	799,919	35,667,334			115,763,070

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

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

5 Operating income and operating costs

	For the six-month period ended 30 June			
	2019		2018	
Item	**Income**	**Cost**	Income	Cost
Principal activities	**212,693,287**	**178,684,301**	284,345,475	255,964,194
Other businesses	**5,190,062**	**4,140,807**	3,449,692	2,668,977
Total	**217,883,349**	**182,825,108**	287,795,167	258,633,171

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

6 Investment income

	For the six-month period ended 30 June	
Item	**2019**	2018
Income from long-term equity investments accounted for using cost method	**115,763,070**	–
Investment income from disposal of financial assets held for trading	**2,478,961**	2,629,215
Investment income from disposal of debt investments	**994,096**	–
Total	**119,236,127**	2,629,215

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2019, the Group's turnover was approximately RMB376,869,000 as compared to approximately RMB532,081,000 for the corresponding period in 2018, representing a decrease of approximately RMB155,212,000 or approximately 29%. The Group's turnover was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products, and provision of processing services. The decrease in turnover was mainly attributable to the decrease in export sales volume of the juice concentrate to the northern America.

For the six months ended 30 June 2019, the Group's gross profit was approximately RMB114,601,000 and the gross profit margin was approximately 30%. For the corresponding period in 2018, the gross profit was approximately RMB133,795,000 and gross profit margin was approximately 25%. The increase in gross profit margin was due to the significant rise in selling price of juice concentrate caused by the shortage of raw apple supply.

For the six months ended 30 June 2019, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB79,686,000, as compared to approximately RMB69,621,000 for the corresponding period in 2018, representing an increase of approximately RMB10,065,000 or approximately 15%. The increase in net profit was attributable to the increase in gross profit caused by the rise in selling price of juice concentrate and the significant decrease in selling and distribution expenses due to the drop in export sales volume to the northern America.

For the six months ended 30 June 2019, the Group incurred selling and distribution expenses of approximately RMB19,262,000, as compared to approximately RMB45,375,000 for the corresponding period in 2018, representing a significant decrease of approximately RMB26,113,000 or 58%. The Group's selling and distribution expenses mainly included transport fees, export inspection fees and marketing expenses. The significant decrease in the selling and distribution expenses was mainly attributable to the decrease in sales volume.

For the six months ended 30 June 2019, the Group incurred general and administrative expenses of approximately RMB18,818,000 as compared to approximately RMB17,757,000 for the corresponding period in 2018, representing a slight increase of approximately RMB1,061,000.

For the six months ended 30 June 2019, the net financial income of the Group was approximately RMB2,338,000, as compared to the net financial income of approximately RMB3,980,000 for the corresponding period in 2018, representing a decrease of approximately RMB1,642,000. Such change was mainly due to the decrease in foreign exchange gain.

Business Review

Stabilising Market Coverage

During the first half of 2019, by adapting to the market demand and leveraging on its advanced production technology, superb product quality and comprehensive customer services, the Group maintained steady growth in markets sales. With years of continuous efforts, the Group has already expanded its sales network to major countries and regions in the world, including the U.S., Japan, Europe, Oceania and African countries and the PRC domestic market.

Optimisation of Customer Base

While expanding its market places and market share, the Group leveraged on the prime quality of its products and continued to optimise its profile of customer base. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers of the world.

Future Prospects

Market Expansion and Product Diversification

Currently the Group has established relatively stable market penetration and customers groups in major consumer markets of apple juice concentrate in the world, namely the U.S., Europe, Oceania, African countries and Japan. During the new financial year, apart from stabilising its established market, the Company will put more efforts in the development of various emerging markets, with a view to breaking through these markets. On the other hand, the Company has in recent years explored the market opportunities for its new products and niche products as well as the development of new customer groups. Although the sales of new products and niche products was still below 5% for the six months ended 30 June 2019, the Company will continue to develop new markets so as to boost such sales.

Further Exploitation of the Domestic Market

As the domestic consumer market for apple juice concentrate further expands, the Group will continue to maintain good business relationships with existing customers in the second half of 2019 while actively exploring new customers through our prime product quality and comprehensive services, with a view to opening a new page in our domestic market sales.

EMPLOYMENT AND REMUNERATION POLICY

For the period ended 30 June 2019, the Group's average number of employee was 686 and the total employee remuneration was approximately RMB20,658,000. The Group's employment and remuneration policies remained unchanged with those described in the prospectus of the Company dated 11 April 2003. The salaries and benefits of the employees of the Group were kept at a competitive level and employees were rewarded on a performance related basis with general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, were also provided to employees.

DIVIDEND

The board of directors of the Company (the "**Board**") proposed a final dividend of RMB0.10 per share for the year ended 31 December 2018. The proposal to declare and pay the final dividend was passed at the annual general meeting of the Company held on 26 June 2019.

The Board proposed not to distribute interim dividend for the six months period ended 30 June 2019.

SIGNIFICANT INVESTMENT

No significant investment was made by the Group during the six months ended 30 June 2019.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries had been made by the Company during the six months ended 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no specific plan for material investments or capital assets as at 30 June 2019.

PROPOSED ISSUE OF A SHARES

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

CONTINGENT LIABILITIES

The directors of the Company (the "**Directors**") were not aware of any material contingent liability as at 30 June 2019.

CHARGE OF ASSETS

The Group has no assets charged as at 30 June 2019.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations and investing activities with internally generated financial resources and loans from banks. As at 30 June 2019, the Group had no outstanding bank loans.

As at 30 June 2019, the Group had a net cash and cash equivalent position of approximately RMB649,482,000. The Group's gearing ratio at 30 June 2019 was approximately 6% (30 June 2018: approximately 8%) which was calculated based on the Group's total liabilities of approximately RMB106,905,000 (30 June 2018: approximately RMB141,967,000) divided by total equity and liabilities of approximately RMB1,929,794,000 (30 June 2018: approximately RMB1,853,256,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

As at 30 June 2019, the Group had no bank borrowing (30 June 2018: RMB20,000,000). The borrowings were used to finance the working capital of the Group.

Approximately RMB523,003,000, RMB125,854,000 and RMB625,000 (30 June 2018: approximately RMB291,437,000, RMB51,753,000 and RMB890,000) of the Group's cash balances were denominated in RMB, HK dollars and US dollars respectively as at 30 June 2019.

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

FOREIGN EXCHANGE EXPOSURE

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

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

As at 30 June 2019, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in the shares of the Company

Name of Directors	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/H Shares	Approximate Percentage of Total Share Capital
Wang An (Note 1)	Non-listed Foreign Shares	46,351,961 (L)	Interest of controlled corporation (Note 2)	Personal	18.50% (L)	12.95% (L)
	Domestic Shares	54,658,540 (L)	Interest of controlled corporation (Note 2)	Personal	21.82% (L)	15.27% (L)
Wang Yanhui (Note 3)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.98% (L)	5.59% (L)
Zhang Hui (Note 5)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.98% (L)	5.59% (L)
Liu Tsung-Yi	H Shares	195,400 (L)	Beneficial owner	Personal	0.18% (L)	0.05% (L)

Notes:

The letter “L” denotes a long position.

(1) As at 30 June 2019, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 Non-listed Foreign Shares, representing 12.95% interest in the total issued share capital of the Company; (b) 90% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), which held 54,658,540 Domestic Shares, representing 15.27% interest in the total issued share capital of the Company.

(2) Mr. Wang An was deemed to be interested in these Shares through his interests in China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司).

(3) As at 30 June 2019, Mr. Wang Yanhui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

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

(5) As at 30 June 2019, Mr. Zhang Hui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

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

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

As at 30 June 2019, so far as the Directors are aware, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/ H Shares	Approximate Percentage of Total Share Capital
China Pingan Investment Holdings Limited	Non-listed Foreign Shares	46,351,961 (L) (Note 1)	Beneficial owner	Corporate	18.50% (L)	12.95% (L)
Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司)	Domestic Shares	54,658,540 (L) (Note 2)	Beneficial owner	Corporate	21.82% (L)	15.27% (L)
Donghua Fruit Industry Co., Ltd.	Non-listed Foreign Shares	65,779,459 (L) (Note 3)	Beneficial owner	Corporate	26.26% (L)	18.37% (L)
Uni-President Enterprises Corp.	Domestic Shares	63,746,040 (L) (Note 4)	Interest of controlled corporations (Note 5)	Corporate	25.44% (L)	17.81% (L)
	H Shares	237,000 (L)	Beneficial owner (Note 6)	Corporate	0.22% (L)	0.07% (L)
Mitsui & Co., Ltd.	H Shares	21,340,000 (L)	Beneficial owner	Corporate	19.86% (L)	5.96% (L)
Hongan International Investment Co. Ltd.	Non-listed Foreign Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	26.26% (L)	18.37% (L)
	H Shares	17,222,880 (L)	Beneficial owner	Corporate	16.03% (L)	4.81% (L)
Zhang Shaoxia	Non-listed Foreign Shares	46,351,961 (L)	Interest of spouse (Note 7)	Personal	18.50% (L)	12.95% (L)
	Domestic Shares	54,658,540 (L)	Interest of spouse (Note 7)	Personal	21.82% (L)	15.27% (L)
Wang Meng	Non-listed Foreign Shares	65,779,459 (L)	Interest of controlled corporations (Note 8)	Personal	26.26% (L)	18.37% (L)
	H Shares	17,222,880 (L)	Interest of controlled corporations (Note 9)	Personal	16.03% (L)	4.81% (L)

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/ H Shares	Approximate Percentage of Total Share Capital
Yantai Xingan Investment Centre (Limited Partnership)	Domestic Shares	20,000,000 (L)	Beneficial Owner	Corporate	7.98% (L)	5.59% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Beneficial owner	Corporate	10.24% (L)	3.07% (L)
Shenzhen Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Chen Sheng	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Personal	10.24% (L)	3.07% (L)

Notes:

The letter "L" denotes a long position.

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

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

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

(4) The long position in 63,746,040 Domestic Shares was held by Uni-President China Holdings Ltd., a non wholly-owned subsidiary of Uni-President Enterprises Corp. (統一企業股份有限公司）, through its two wholly-owned subsidiaries, namely, Chengdu President Enterprises Food Co., Ltd.（成都統一企業食品有限公司）, which held 42,418,360 Domestic Shares, and Guangzhou President Enterprises Co., Ltd.（廣州統一企業有限公司）, which held 21,327,680 Domestic Shares.

(5) Pursuant to Part XV of the SFO, Uni-President Enterprises Corp.(統一企業股份有限公司)was deemed to be interested in such 63,746,040 Domestic Shares. The 63,746,040 Domestic Shares were held by a series of controlled corporations of Uni-President Enterprises Corp.(統一企業股份有限公司), of which 42,418,360 Domestic Shares, representing approximately 11.85% of the total issued share capital of the Company, were held directly by Chengdu President Enterprises Food Co., Ltd.(成都統一企業食品有限公司) and 21,327,680 Domestic Shares, representing approximately 5.96% of the total issued share capital of the Company, were held directly by Guangzhou President Enterprises Co., Ltd.(廣州統一企業有限公司).

(6) These H Shares are beneficially held by Uni-President China Holdings Ltd..

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

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

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

(10) The long position in 11,000,000 H Shares was held by Shenzhen Tiandi Win-Win Investment Management Co., Limited (深圳市天地共贏投資管理有限公司), a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司), through its wholly-owned subsidiary Tiandi Win-Win Investment Management Co., Limited. Mr. Chen Sheng was deemed to be interested in these H Shares through his 78.45% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).

COMPETING INTERESTS

As at 30 June 2019, none of the Directors, the management shareholders of the Company and their respective associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of the interest with the Group.

CORPORATE GOVERNANCE PRACTICES

The articles of association, terms of reference of audit and review committee and terms of reference of supervisory committee of the Company form the framework for the code of corporate governance practices of the Company.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules throughout the reporting period except for the following:

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

CHANGE OF DIRECTORS

On 26 June 2019, Mr. Li Tong Ning resigned as an independent non-executive Director and a member of each of the audit and review committee, the nomination committee and the remuneration and review committee of the Company. On the same date, Mr. Li Yao was appointed as an independent non-executive Director, a member of each of the audit and review committee, the nomination committee and the remuneration and review committee of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Appendix 10 of the Listing Rules (the "**Required Standard**") as the Company's code of conduct regarding securities transactions by its Directors. A copy of the Required Standard has been sent to each Director one month before the date of the Board meeting to approve the Company's 2019 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 have complied with the Required Standard during the six months ended 30 June 2019.

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 2019.

AUDIT AND REVIEW COMMITTEE

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

The audit and review committee has reviewed the accounting principles and practices adopted by the Group and discussed with the Directors about risk management, internal controls and financial reporting matters including a review of the interim results for the six months ended 30 June 2019.

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

Yantai, the PRC, 22 August 2019

As at the date hereof, the Board comprises:

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

* *For identification purpose only.*