

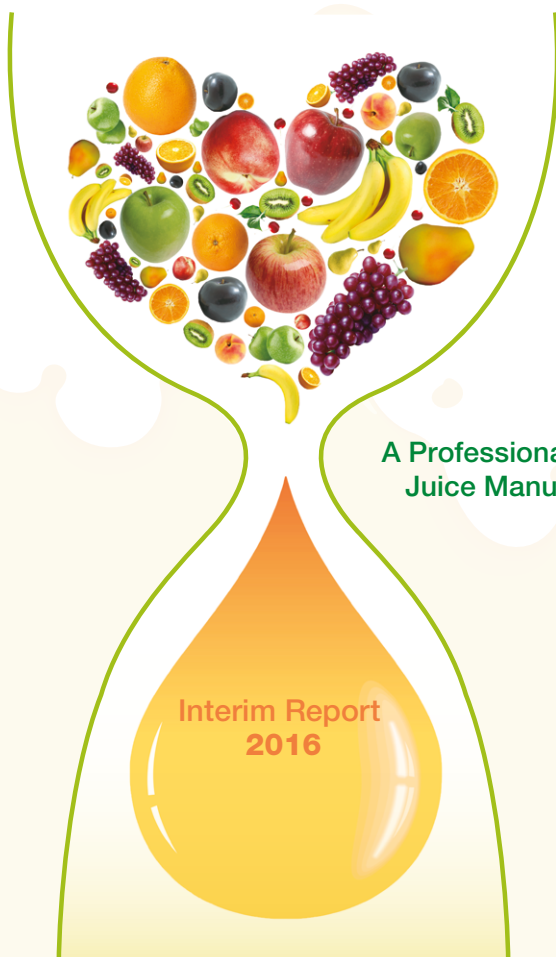


安德利
ANDRE

烟台北方安德利果汁股份有限公司
YANTAI NORTH ANDRE JUICE CO.,LTD.

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 02218)



**A Professional Concentrated
Juice Manufacturer**

**Interim Report
2016**



烟台北方安德利果汁股份有限公司
Yantai North Andre Juice Co., Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
(Stock code : 02218)

Consolidated Balance Sheet-unaudited

At 30 June 2016

(Expressed in Renminbi Yuan)

	Note	30 June 2016	31 December 2015
ASSETS			
Current assets			
Cash at bank and on hand	V.1	152,276,584	106,373,059
Bills receivable	V.2	3,184,550	-
Accounts receivable	V.3	137,499,157	102,712,187
Prepayments	V.4	4,195,750	3,993,014
Other receivables	V.5	1,292,409	30,234,414
Inventories	V.6	624,246,367	862,607,161
Other current assets	V.7	89,791,562	151,876,289
Total current assets		1,012,486,379	1,257,796,124
Non-current assets			
Available-for-sale financial assets	V.8	10,053,443	-
Investment properties	V.9	27,023,508	-
Fixed assets	V.10	818,261,375	837,909,270
Construction in progress	V.11	7,635,986	5,880,330
Intangible assets	V.12	108,747,917	107,674,464
Goodwill	V.13	8,653,575	8,653,575
Total non-current assets		980,375,804	960,117,639
Total assets		1,992,862,183	2,217,913,763

The notes on pages 14 to 81 form part of these financial statements.

* *For identification purpose only.*

	Note	30 June 2016	31 December 2015
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	V.16	237,500,000	485,170,000
Accounts payable	V.17	41,456,961	68,991,418
Advances from customers		7,005,801	2,468,411
Employee remuneration payable	V.18	14,174,024	18,370,361
Taxes payable	V.19	36,911,728	20,589,650
Interest payable		684,869	2,820,527
Dividends payable	V.20	19,050,000	–
Other payables	V.21	59,561,403	56,481,147
Total current liabilities		416,344,786	654,891,514
Non-current liabilities			
Long-term payables		785,036	766,519
Total non-current liabilities		785,036	766,519
Total liabilities		417,129,822	655,658,033
Shareholders' equity			
Share capital	V.22	381,000,000	381,000,000
Capital reserve	V.23	75,100,275	75,100,275
Less: Treasury shares	V.24	33,891,085	–
Other comprehensive income	V.25	262,547	178,356
Surplus reserve	V.26	105,794,859	105,794,859
Retained earnings	V.27	1,047,465,765	1,000,182,240
Total shareholders' equity		1,575,732,361	1,562,255,730
Total liabilities and shareholders' equity		1,992,862,183	2,217,913,763

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note V.20.

Balance Sheet-unaudited

At 30 June 2016

(Expressed in Renminbi Yuan)

	Note	30 June 2016	31 December 2015
ASSETS			
Current assets			
Cash at bank and on hand		107,863,761	44,849,439
Bills receivable		3,184,550	–
Accounts receivable	XIV.1	122,515,023	90,470,947
Prepayments		1,289,988	511,597
Dividends receivable		56,822,440	56,822,440
Other receivables	XIV.2	313,847,854	605,673,875
Inventories		78,736,182	96,958,682
Other current assets		82,659,830	135,801,569
Total current assets		<u>766,919,628</u>	<u>1,031,088,549</u>
Non-current assets			
Available-for-sale financial assets		10,053,443	–
Long-term equity investments	XIV.3	573,355,647	573,355,647
Investment properties		21,299,569	–
Fixed assets		136,817,155	127,597,934
Intangible assets		29,965,626	27,904,004
Total non-current assets		<u>771,491,440</u>	<u>728,857,585</u>
Total assets		<u>1,538,411,068</u>	<u>1,759,946,134</u>

The notes on pages 14 to 81 form part of these financial statements.

	30 June 2016	31 December 2015
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term loans	237,500,000	436,468,000
Accounts payable	244,833,045	202,050,064
Advances from customers	5,725,980	1,510,389
Dividends payable	19,050,000	–
Employee remuneration payable	547,872	2,137,422
Taxes payable	282,588	195,229
Interest payable	684,869	2,293,755
Other payables	121,815,594	160,610,153
	<hr/>	<hr/>
Total current liabilities	630,439,948	805,265,012
	<hr/>	<hr/>
Total liabilities	630,439,948	805,265,012
	<hr/>	<hr/>
Shareholders' Equity		
Share capital	381,000,000	381,000,000
Capital reserve	101,342,973	101,342,973
Less: Treasury shares	33,891,085	–
Other comprehensive income	262,547	178,356
Surplus reserve	105,794,859	105,794,859
Retained earnings	353,461,826	366,364,934
	<hr/>	<hr/>
Total shareholders' equity	907,971,120	954,681,122
	<hr/>	<hr/>
Total liabilities and shareholders' equity	1,538,411,068	1,759,946,134
	<hr/>	<hr/>

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an

Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei

(Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

Consolidated Income Statement-unaudited

For the six months ended 30 June 2016

(Expressed in Renminbi Yuan)

		For the six months ended 30 June	
		2016	2015
I	Operating income	446,650,905	401,512,004
II	Less: Operating costs	324,916,935	311,077,792
	Business taxes and surcharges	2,278,593	3,009,705
	Selling and distribution expenses	33,222,342	21,367,372
	General and administrative expenses	20,486,496	18,332,862
	Financial expenses	3,756,334	11,956,161
	Impairment losses	6,573	502,717
	Add: Investment income	2,579,289	2,669,211
	Including: Income from investment in a joint venture	—	1,982,105
III	Operating profit	64,562,921	37,934,606
	Add: Non-operating income	3,092,519	188,170
	Including: Gains from disposal of non-current assets	138	29,342
	Less: Non-operating expenses	9,207	17,602
	Including: Losses from disposal of non-current assets	8,817	17,602
IV	Profit before income tax	67,646,233	38,105,174
	Less: Income tax expense	1,312,708	62,182
V	Net profit for the period and net profit attributable to shareholders of the Company	66,333,525	38,042,992
VI	Other comprehensive income, net of tax	84,191	—

The notes on pages 14 to 81 form part of these financial statements.

		For the six months ended 30 June	
		2016	2015
VII	Total comprehensive income for the period and total comprehensive income attributable to shareholders of the Company	<u>66,417,716</u>	<u>38,042,992</u>
VIII	Earnings per share:		
	Basic earnings per share	<u>0.174</u>	<u>0.097</u>
	Diluted earnings per share	<u>0.174</u>	<u>0.097</u>

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang'an

Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei

(Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

Income Statement-unaudited

For the six months ended 30 June 2016

(Expressed in Renminbi Yuan)

		For the six months ended 30 June		
		Note	2016	2015
I	Operating income	XIV.4	353,180,399	277,297,288
II	Less: Operating costs	XIV.4	320,607,084	248,056,751
	Business taxes and surcharges		9,860	1,807
	Selling and distribution expenses		20,420,146	15,457,216
	General and administrative expenses		5,846,252	5,512,015
	Financial expenses		3,341,638	11,022,301
	Impairment losses		–	502,717
	Add: Investment income	XIV.5	2,579,289	1,678,158
	Including: Income from investments in a joint venture		–	991,052
III	Operating profit/(loss)		5,534,708	(1,577,361)
	Add: Non-operating income		621,001	104,609
	Less: Non-operating expenses		8,817	12,954
	Including: Losses from disposal of non-current assets		8,817	12,954
IV	Profit/(loss) before income tax		6,146,892	(1,485,706)
	Less: Income tax expense		–	–
V	Net profit/(loss) for the period		6,146,892	(1,485,706)
VI	Other comprehensive income for the period		84,191	–
VII	Total comprehensive income for the period		6,231,083	(1,485,706)

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

**For the six months
ended 30 June**

	Note	2016	2015
III	Cash flows from financing activities:		
	Proceeds from borrowings	<u>173,246,980</u>	<u>768,905,797</u>
	Sub-total of cash inflows	<u>173,246,980</u>	<u>768,905,797</u>
	Repayment of borrowings	(420,990,539)	(630,489,677)
	Repayment of borrowings from related parties	-	(7,770,201)
	Payment for interest	(10,690,577)	(17,791,936)
	Payment for purchase of own shares	(33,891,085)	<u>(31,122,248)</u>
	Sub-total of cash outflows	<u>(465,572,201)</u>	<u>(687,174,062)</u>
	Net cash (outflow)/inflow from financing activities	<u>(292,325,221)</u>	<u>81,731,735</u>
IV	Effect of foreign currency exchange rate changes on cash and cash equivalents	<u>2,334,377</u>	<u>(27,797)</u>
V	Net increase in cash and cash equivalents	45,903,525	317,154,813
	Add: Cash and cash equivalents at the beginning of the period	<u>106,373,059</u>	<u>191,534,476</u>
VI	Cash and cash equivalents at the end of the period	<u>152,276,584</u>	<u>508,689,289</u>

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

Cash Flow Statement-unaudited*For the six months ended 30 June 2016**(Expressed in Renminbi Yuan)*

	For the six months ended 30 June	
	2016	2015
I		
Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	335,113,260	324,914,130
Refund of taxes	44,022,190	27,246,418
Proceeds from other operating activities	3,744,900	4,101,492
	<hr/> 382,880,350 <hr/>	<hr/> 356,262,040 <hr/>
Sub-total of cash inflows		
Payment for goods and services	(289,623,039)	(152,294,202)
Payment to and for employees	(6,461,905)	(5,352,262)
Payment of various taxes	(1,625,675)	(1,944,937)
Payment for other operating activities	(22,377,086)	(17,325,560)
	<hr/> (320,087,705) <hr/>	<hr/> (176,916,961) <hr/>
Sub-total of cash outflows		
Net cash inflow from operating activities	<hr/> 62,792,645 <hr/>	<hr/> 179,345,079 <hr/>
II		
Cash flows from investing activities:		
Proceeds from disposal of financial assets	809,779,289	1,214,987,106
Net proceeds from disposal of fixed assets	-	219,712
Investment returns received	291,830,905	72,089,541
Proceeds from other investing activities	1,206,273	139,664
	<hr/> 1,102,816,467 <hr/>	<hr/> 1,287,436,023 <hr/>
Sub-total of cash inflows		
Payment for acquisition of financial assets	(775,500,000)	(1,245,300,000)
Payment for acquisition of fixed assets, intangible assets and investment properties	(36,877,126)	(3,069,177)
	<hr/> (812,377,126) <hr/>	<hr/> (1,248,369,177) <hr/>
Sub-total of cash outflows		
Net cash inflow from investing activities	<hr/> 290,439,341 <hr/>	<hr/> 39,066,846 <hr/>

The notes on pages 14 to 81 form part of these financial statements.

**For the six months
ended 30 June**

	2016	2015
III Cash flows from financing activities:		
Proceeds from borrowings	<u>173,246,980</u>	<u>562,742,404</u>
Sub-total of cash inflows	<u>173,246,980</u>	<u>562,742,404</u>
Repayment of borrowings	(420,990,538)	(420,178,284)
Payment for interest	(10,054,112)	(16,337,189)
Payment for purchase of own shares	<u>(33,891,086)</u>	<u>(31,122,248)</u>
Sub-total of cash outflows	<u>(464,935,736)</u>	<u>(467,637,721)</u>
Net cash (outflow)/inflow from financing activities	<u>(291,688,756)</u>	<u>95,104,683</u>
IV Effect of foreign currency exchange rate changes on cash and cash equivalents	<u>1,471,092</u>	<u>(19,102)</u>
V Net increase in cash and cash equivalents	63,014,322	313,497,506
Add: Cash and cash equivalents at the beginning of the period	<u>44,849,439</u>	<u>180,498,375</u>
VI Cash and cash equivalents at the end of the period	<u>107,863,761</u>	<u>493,995,881</u>

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity-unaudited
For the six months ended 30 June 2016
(Expressed in Renminbi Yuan)

Note	For the six months ended 30 June 2015							Total
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 1 January 2015	392,600,000	94,622,523	-	-	104,236,707	948,188,123	1,539,647,353	
Changes in equity during the period								
1. Total comprehensive income	-	-	-	-	-	38,042,992	38,042,992	
2. Appropriation of profits								
- Distributions to shareholders	-	-	-	-	-	(19,050,000)	(19,050,000)	
3. Purchase of own shares	(11,600,000)	(19,522,248)	-	-	-	-	(31,122,248)	
Balance at 30 June 2015	<u>381,000,000</u>	<u>75,100,275</u>	<u>-</u>	<u>-</u>	<u>104,236,707</u>	<u>967,181,115</u>	<u>1,527,518,097</u>	

Note	For the six months ended 30 June 2016							Total
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 1 January 2016	381,000,000	75,100,275	-	178,356	105,794,859	1,000,182,240	1,562,255,730	
Changes in equity during the period								
1. Total comprehensive income	-	-	-	84,191	-	66,333,525	66,417,716	
2. Appropriation of profits								
- Distributions to shareholders	-	-	-	-	-	(19,050,000)	(19,050,000)	
3. Purchase of own shares	-	-	(33,891,085)	-	-	-	(33,891,085)	
Balance at 30 June 2016	<u>381,000,000</u>	<u>75,100,275</u>	<u>(33,891,085)</u>	<u>262,547</u>	<u>105,794,859</u>	<u>1,047,465,765</u>	<u>1,575,732,361</u>	

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 form part of these financial statements.

Statement of Changes in Shareholders' Equity-unaudited

For the six months ended 30 June 2016

(Expressed in Renminbi Yuan)

Note	For the six months ended 30 June 2015							Total
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 1 January 2015	392,600,000	120,865,221	-	-	104,236,707	371,971,570	989,673,498	
Changes in equity during the period								
1. Total comprehensive income	-	-	-	-	-	(1,485,706)	(1,485,706)	
2. Appropriation of profits	V.27	-	-	-	-	(19,050,000)	(19,050,000)	
- Distributions to shareholders		-	-	-	-	(19,050,000)	(19,050,000)	
3. Purchase of own shares		(11,600,000)	(19,522,248)	-	-	-	(31,122,248)	
Balance at 30 June 2015	<u>381,000,000</u>	<u>101,342,973</u>	<u>-</u>	<u>-</u>	<u>104,236,707</u>	<u>351,435,864</u>	<u>938,015,544</u>	

Note	For the six months ended 30 June 2016							Total
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings		
Balance at 1 January 2016	381,000,000	101,342,973	-	178,356	105,794,859	366,364,934	954,681,122	
Changes in equity during the period								
1. Total comprehensive income	-	-	-	84,191	-	6,146,892	6,231,083	
2. Appropriation of profits	V.27	-	-	-	-	(19,050,000)	(19,050,000)	
- Distributions to shareholders		-	-	-	-	(19,050,000)	(19,050,000)	
3. Purchase of own shares	V.24	-	(33,891,085)	-	-	-	(33,891,085)	
Balance at 30 June 2016	<u>381,000,000</u>	<u>101,342,973</u>	<u>(33,891,085)</u>	<u>262,547</u>	<u>105,794,859</u>	<u>353,461,826</u>	<u>907,971,120</u>	

These financial statements were approved by the Board of Directors of the Company on 26 August 2016.

Legal Representative: Wang' an Chief Financial Officer: Wang Yanhui

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 81 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 at Yantai on 30 March 1996. Headquarter of the Company is located in Yantai, Shandong Province.

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

II. Basis of preparation

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

III. Significant accounting policies and accounting estimates

Accounting policies for the recognition and measurement of provisions for receivables, cost of inventories transferred out, depreciation of investment properties, depreciation of fixed assets, amortisation of intangible assets, and revenue recognition and measurement of the Group are developed according to the specific characteristics of the Company’s operations. Refer to the relevant notes for relevant 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 2016, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the six months ended 30 June 2016.

2 Accounting period

The accounting year of the Group 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. The Company translates the financial statements of subsidiaries from their respective functional currencies into the Company’s functional currency (see Note III.7) if the subsidiaries’ functional currencies are not the same as that of the Company.

III. Significant accounting policies and accounting estimates (continued)

4 Accounting treatments for a business combination involving enterprises under common control

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises 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 enterprise obtains control of other combining enterprises.

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises 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.17). 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.

III. Significant accounting policies and accounting estimates (continued)

5 Consolidated financial statements

(1) General principles

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

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

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises 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 enterprises 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 of a subsidiary, the Group derecognises assets, liabilities and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any resulting gains or losses are recognised as investment income of the current period.

III. Significant accounting policies and accounting estimates (continued)

6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn 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.

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 acquisition and construction of qualifying assets (see Note III.15). 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 the re-translation of available-for-sale financial assets, 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, receivables, available-for-sale financial assets, payables, loans and borrowings and share capital.

(1) Recognition and 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.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are 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. Subsequent to initial recognition, financial assets and liabilities are measured as follows:

– Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

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

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sale and other financial assets which do not fall into any of the above categories.

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Dividend income is recognised in profit or loss when the investee approves the dividends. Interest is recognised in profit or loss using the effective interest method (see Note III.21(3)).

– Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities, other financial liabilities are measured at amortised cost using the effective interest method.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(2) Presentation of financial assets and financial liabilities

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.

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

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
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in shareholders' equity

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised.

Objective evidence that a financial asset is impaired includes but is not limited to:

- (a) significant financial difficulty of the issuer or obligor
- (b) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- (d) the disappearance of an active market for that financial asset because of financial difficulties faced by the issuer
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor
- (f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note III.9. The impairment of other financial assets is measured as follows:

- Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis and on a collective group basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognised directly in shareholders' equity is reclassified to profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. The impairment loss on an investment in an unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

(5) 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 entering into the share register. Treasury shares are excluded from profit distributions and are stated 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 in that order. If the cost of treasury shares cancelled is less than the total par value, the difference is recorded in 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 in that order.

9 Impairment of receivables

Receivables are assessed for impairment on an individual basis and on a collective group basis as follows.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. Impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

If, after an impairment loss has been recognised on receivables, there is a recovery in the value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding what the amortised cost would have been had no impairment loss been recognised in prior years.

III. Significant accounting policies and accounting estimates (continued)

10 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) Cost of inventories transferred out

Cost of inventories transferred out is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortised in full when received for use. The amortisation is included in the cost of the related assets or recognised in profit or loss for the current period.

(3) Basis for determining the net realisable value and provisioning methods for impairment losses of 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 the impairment, and is recognised in profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

III. Significant accounting policies and accounting estimates (continued)

11 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 enterprises 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 against retained earnings.
- For a long-term equity investment obtained through a business combination not involving enterprises 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.

(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 in 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.18.

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

III. Significant accounting policies and accounting estimates (continued)

12 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is depreciated or amortised using the straight-line method over its estimated useful life. For the impairment of the investment properties, refer to Note III.18.

The estimated useful lives, residual value rates and depreciation rates/amortisation rates of each class of investment properties are as follows:

Class	Estimated useful life (years)	Residual value rate (%)	Depreciation/ Amortisation rate (%)
Plant and buildings	38 years	10%	2.25%
Land use rights	38 years	–	2.63%

13 Fixed assets

(1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods 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.14

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)

13 Fixed assets (continued)

(2) Depreciation of fixed assets

The cost of a 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	40 years	10%	2.25%
Machinery and equipment	20 years	10%	4.5%
Office and other equipment	5 years	10%	18%
Motor vehicles	5 years	10%	18%

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

- (3) For the impairment of the fixed assets, refer to Note III.18.
- (4) For the recognition, measurement and depreciation of fixed assets acquired under finance leases, refer to Note III.25(3).
- (5) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is on 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)

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included in construction in progress before it is 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.18).

15 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)

16 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.18). 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 during the research phase and expenditure 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.18). Other development expenditure is recognised as an expense in the period in which it is incurred.

17 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 enterprises under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III.18). 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)

18 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
- investment properties measured using a cost model
- 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.19) 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)

19 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.

20 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)

21 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 in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following conditions are met:

(1) Sale of goods

Revenue is recognised when the general conditions stated above and the following conditions are satisfied:

- Significant risks and rewards of ownership of goods have been transferred to the buyer
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

(2) Rendering of services

Revenue is measured at the fair value of the consideration received or receivable under the contract or agreement.

Where the outcome of a transaction involving the rendering of services can be estimated reliably, revenue is recognised by reference to the stage of completion based on the proportion of services performed to date to the total services to be performed.

Where the outcome cannot be estimated reliably, revenues are recognised to the extent of the costs incurred that are expected to be recoverable, and an equivalent amount is charged to profit or loss as service cost; otherwise, the costs incurred are recognised in profit or loss and no service revenue is recognised.

(3) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

III. Significant accounting policies and accounting estimates (continued)

22 Employee remuneration

(1) Short-term employee remuneration

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 accrued 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 are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(3) Termination benefits

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

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

III. Significant accounting policies and accounting estimates (continued)

23 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. Specific transfers from the government, such as investment grants that have been clearly defined in official documents as part of “capital reserve” are also dealt with as capital contributions rather than government grants.

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. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the future is recognised initially as deferred income, and released to profit or loss 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 immediately.

24 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.

III. Significant accounting policies and accounting estimates (continued)

24 Income tax (continued)

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.

25 Operating leases and finance leases

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, except for investment properties, are depreciated in accordance with the Group's depreciation policies described in Note III.13(2). Impairment losses are recognised in accordance with the accounting policy described in Note III.18. 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.

III. Significant accounting policies and accounting estimates (continued)

25 Operating leases and finance leases (continued)

(3) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, each determined at the inception of the lease. At the commencement of the lease term, the minimum lease payments are recorded as long-term payables. The difference between the carrying amount of the leased assets and the minimum lease payments is accounted for as unrecognised finance charges. Initial direct costs attributable to a finance lease that are incurred by the Group are added to the carrying amount of the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Notes III.13 (2) and III.18, respectively.

If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charges arising from a finance lease are recognised using an effective interest method over the lease term. The amortisation is accounted for in accordance with the principles of borrowing costs (see Note III.15).

At the balance sheet date, the long-term payables arising from finance leases, net of the unrecognised finance charges, are analysed and separately presented as long-term payables or non-current liabilities due within one year.

26 Profit distributions to shareholders

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.

27 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)

28 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.

29 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.13 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**

As described in Note III.9, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flows of an individual debtor or the portfolio of debtors, and significant changes in the financial environment that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

– **Provision for impairment of inventories**

As described in Note III.10, 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)

29 Significant accounting estimates and judgments (continued)

- Impairment of assets other than inventories and financial assets

As described in Note III.18, 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 investment properties, fixed assets and intangible assets

As described in Notes III. 12, 13 and 16, assets such as investment properties, fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

- Income tax

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

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue. The basis for VAT payable is to deduct input VAT from the output VAT for the period.	17%, 13%
Business tax	Based on taxable revenue	5%
City maintenance and construction tax	Based on business tax and VAT paid	1%, 5%, 7%
Corporate income tax	Based on taxable profits	15%, 25%

2 Tax preferential treatments

The Company and other domestic subsidiaries are subject to income tax rate of 25% for the six months ended 30 June 2016 (2015: 25%) except for the following subsidiaries and the overseas subsidiaries of the Company 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 corporate income tax incentives (Guo Fa No.39[2007]), the Law of the PRC on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT 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 Fa No.58[2011]), the income tax is 15% for Baishui Andre Juice Co., Ltd. from 1 January 2011 to 31 December 2020.

IV. Taxation (continued)

2 Tax preferential treatments (continued)

- (b) According to the CIT Law, profit derived from primary processing of agricultural produce is exempt from the PRC income tax. The production of juice concentrate of the Company and certain of its subsidiaries and production of bio-stuff of its subsidiaries are recognised as primary processing of agricultural produce under the CIT Law and therefore are exempt from the PRC income tax commenced from 1 January 2008. The following companies are recognised as primary processing of agricultural produce for the six months ended 30 June 2016 as follows:

Name of company	Principal activities	Preferential policy
Yantai North Andre Juice Co., Ltd.	Manufacture and sale of juice	Exempt from income tax
Baishui Andre Juice Co., Ltd.	Manufacture and sale of juice	Exempt from income tax
Xuzhou Andre Juice Co., Ltd.	Manufacture and sale of juice	Exempt from income tax
Yantai Longkou Andre Juice Co., Ltd.	Manufacture and sale of juice and bio-stuff	Exempt from income tax
Dalian Andre Juice Co., Ltd.	Manufacture and sale of juice and bio-stuff	Exempt from income tax
Yongji Andre Juice Co., Ltd.	Manufacture and sale of juice and bio-stuff	Exempt from income tax
Binzhou Andre Juice Co., Ltd.	Manufacture and sale of juice	Exempt from income tax
Liqian Yitong Juice Co., Ltd	Manufacture and sale of juice and bio-stuff	Exempt from income tax
Anyue Andre Lemon Industry Technology Co., Ltd.	Manufacture and sale of juice and bio-stuff	Exempt from income tax

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	30 June 2016	31 December 2015
Cash on hand	128,887	222,294
Deposits with banks	152,147,697	106,150,765
Total	152,276,584	106,373,059

As at 30 June 2016, the Group did not have any cash at bank and on hand with restrictions placed on its ownership (31 December 2015: RMB31,500,000), see Note V.15.

V. Notes to the consolidated financial statements (continued)

2 Bills receivable

Item	30 June 2016	31 December 2015
Bank acceptance bills	<u>3,184,550</u>	<u>—</u>

All of the above bills are due within one year, and are not pledged, endorsed or transferred.

3 Accounts receivable

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

Type	30 June 2016	31 December 2015
Related parties	8,304,983	1,762,385
Third parties	<u>129,194,174</u>	<u>100,949,802</u>
Sub-total	<u>137,499,157</u>	102,712,187
Less: Provision for bad and doubtful debts	<u>—</u>	<u>—</u>
Total	<u>137,499,157</u>	<u>102,712,187</u>

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

Ageing	30 June 2016	31 December 2015
Within 6 months (inclusive)	129,773,041	102,712,187
Over 6 months but within 1 year (inclusive)	<u>7,726,116</u>	<u>—</u>
Sub-total	<u>137,499,157</u>	102,712,187
Less: Provision for bad and doubtful debts	<u>—</u>	<u>—</u>
Total	<u>137,499,157</u>	<u>102,712,187</u>

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) Accounts receivable of the Group are individually significant, therefore the account receivables are assessed for impairment and bad debt provision is determined on an individual basis and, then, on a collective group basis. Management is of the view that no bad debt provision is necessary for the accounts receivable balances in regard of the sound credit record of the customers.
- (4) During the six months ended 30 June 2016 and 30 June 2015, the Group had no individually significant reverse or recovery of bad debts provision which had been fully or substantially provided for in prior years.
- (5) During the six months ended 30 June 2016 and 30 June 2015, the Group had not written off any significant accounts receivable.

4 Prepayments

- (1) Prepayments by customer type are as follows:

Type	30 June 2016	31 December 2015
Related parties	459,061	–
Third parties	3,736,689	3,993,014
Sub-total	4,195,750	3,993,014
Less: Provision for bad and doubtful debts	–	–
Total	4,195,750	3,993,014

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

Ageing	30 June 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	4,161,830	99%	3,701,054	93%
Over 1 year but within 2 years (inclusive)	33,920	1%	291,960	7%
Total	4,195,750	100%	3,993,014	100%

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

V. Notes to the consolidated financial statements (continued)

5 Other receivables

- (1) Other receivables by customer type are as follows:

Type	30 June 2016	31 December 2015
Related parties	8,178	28,654,071
Third parties	5,416,796	5,712,908
Sub-total	5,424,974	34,366,979
Less: Provision for bad and doubtful debts	4,132,565	4,132,565
Total	1,292,409	30,234,414

- (2) As at 30 June 2016 and 31 December 2015, the Group did not hold any other receivables which were denominated in foreign currency.

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

Ageing	30 June 2016	31 December 2015
Within 1 year (inclusive)	528,088	29,395,555
Over 1 year but within 2 years (inclusive)	615,662	838,859
Over 2 years but within 3 years (inclusive)	148,659	–
Over 3 years	4,132,565	4,132,565
Sub-total	5,424,974	34,366,979
Less: Provision for bad and doubtful debts	4,132,565	4,132,565
Total	1,292,409	30,234,414

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

- (4) During the six months ended 30 June 2016 and 30 June 2015, the Group had no individually significant reverse or recovery of bad debts provision which had been fully or substantially provided for in prior years.

V. Notes to the consolidated financial statements (continued)

6 Inventories

- (1) Inventories by category:

Item	30 June 2016			31 December 2015		
	Book value	Provision for impairment of inventories	Carrying amount	Book value	Provision for impairment of inventories	Carrying amount
Raw materials and packaging materials	33,713,227	-	33,713,227	29,904,414	-	29,904,414
Finished goods	<u>590,853,269</u>	<u>(320,129)</u>	<u>590,533,140</u>	<u>833,366,293</u>	<u>(663,546)</u>	<u>832,702,747</u>
Total	<u><u>624,566,496</u></u>	<u><u>(320,129)</u></u>	<u><u>624,246,367</u></u>	<u><u>863,270,707</u></u>	<u><u>(663,546)</u></u>	<u><u>862,607,161</u></u>

As at 30 June 2016 and 31 December 2015, no inventories were pledged as security 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	29,904,414	66,244,782	62,435,969	33,713,227
Finished goods	<u>833,366,293</u>	<u>74,561,636</u>	<u>317,074,660</u>	<u>590,853,269</u>
Sub-total	863,270,707	140,806,418	379,510,629	624,566,496
Less: Provision for impairment of inventories	<u>663,546</u>	<u>14,599</u>	<u>358,016</u>	<u>320,129</u>
Total	<u><u>862,607,161</u></u>	<u><u>140,791,819</u></u>	<u><u>379,152,613</u></u>	<u><u>624,246,367</u></u>

- (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
		Provision	Others	Written-off	Reversals	
Finished goods	<u>663,546</u>	<u>14,599</u>	<u>-</u>	<u>349,990</u>	<u>8,026</u>	<u>320,129</u>

During the six months ended 30 June 2016, the increase of provision for impairment of inventories is amounted to RMB6,573 (2015: RMB579,459), which was recognised as a reduction of inventories and was charged to profit or loss during the period.

V. Notes to the consolidated financial statements (continued)

7 Other current assets

Item	30 June 2016	31 December 2015
Input VAT recoverable	45,282,458	65,697,933
Available-for-sale financial assets at fair value at the end of the period:		
– Beixinruifeng No.008 specific asset management scheme	20,108,393	–
– Income right collective trust scheme of Tenghai Agriculture	10,100,711	10,112,754
– Jiashi Wealth Cash Management No.3	–	50,000,000
– Working capital loan collective trust scheme of Kaidi Electric Power	–	11,065,602
– Bank wealth management products	14,300,000	15,000,000
	<hr/>	<hr/>
Total	89,791,562	151,876,289

As at 30 June 2016, the cost of above available-for-sale financial assets held by the Group is RMB44,300,000 (31 December 2015: RMB86,000,000). The total amount of changes in the fair value attributable to other comprehensive income is RMB209,104 (31 December 2015: RMB178,356).

As at 30 June 2016, the available-for-sale financial assets held by the Group will due within one year.

8 Available-for-sale financial assets

Available-for-sale financial assets at fair value at the end of the period:

Item	30 June 2016	31 December 2015
Merger and acquisition fund collective trust scheme of Guojin Quantum	10,053,443	–
Less: Provision for impairment	–	–
	<hr/>	<hr/>
Total	10,053,443	–

As at 30 June 2016, the cost of above available-for-sale financial assets held by the Group is RMB10,000,000, the total amount of changes in the fair value attributable to other comprehensive income is RMB53,443.

As at 30 June 2016, the available-for-sale financial assets held by the Group will due in the year of 2020.

V. Notes to the consolidated financial statements (continued)

9 Investment properties

Investment properties are accounted for using the cost model:

	Plant & buildings	Land use rights	Total
Cost			
At 1 January 2016	–	–	–
Additions during the period			
– Purchases	12,530,721	2,828,249	15,358,970
– Transfers from fixed assets	17,561,156	–	17,561,156
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2016	30,091,877	2,828,249	32,920,126
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Accumulated depreciation or amortisation			
At 1 January 2016	–	–	–
Charge for the year	(267,507)	(28,282)	(295,789)
Transfers from fixed assets	(5,600,829)	–	(5,600,829)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2016	(5,868,336)	(28,282)	(5,896,618)
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Carrying amounts			
At 30 June 2016	24,223,541	2,799,967	27,023,508
	<u> </u>	<u> </u>	<u> </u>
At 1 January 2016	–	–	–
	<u> </u>	<u> </u>	<u> </u>

During the six months ended 30 June 2016, the Board of the Group has determined to transfer the buildings held for earning rental income from fixed assets to investment properties. These investment properties include two office buildings, certain commercial units and one apartment building located in Yantai Muping Economic Development Zone. The total carrying amount of the investment properties is RMB11,960,327 at the date of transfer.

V. Notes to the consolidated financial statements (continued)

10 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Total
Cost					
At 1 January 2016	555,063,953	885,029,930	25,162,982	10,014,451	1,475,271,316
Additions during the period					
– Purchases	10,957,986	5,840,646	342,195	–	17,140,827
Disposals or written-offs during the period	(3,256,160)	(138,706)	(477,618)	(616,683)	(4,489,167)
Transfers into investment properties	<u>(17,561,156)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(17,561,156)</u>
At 30 June 2016	<u>545,204,623</u>	<u>890,731,870</u>	<u>25,027,559</u>	<u>9,397,768</u>	<u>1,470,361,820</u>
Accumulated depreciation					
At 1 January 2016	(133,807,071)	(476,403,387)	(18,887,661)	(7,783,140)	(636,881,259)
Charge for the period	(8,577,210)	(14,622,082)	(873,635)	(255,957)	(24,328,884)
Disposals or written-offs during the period	2,930,544	66,628	415,422	577,062	3,989,656
Transfers into investment properties	<u>5,600,829</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,600,829</u>
At 30 June 2016	<u>(133,852,908)</u>	<u>(490,958,841)</u>	<u>(19,345,874)</u>	<u>(7,462,035)</u>	<u>(651,619,658)</u>
Provision for impairment					
At 1 January 2016 and					
At 30 June 2016	<u>–</u>	<u>(480,787)</u>	<u>–</u>	<u>–</u>	<u>(480,787)</u>
Carrying amounts					
At 30 June 2016	<u>411,351,715</u>	<u>399,292,242</u>	<u>5,681,685</u>	<u>1,935,733</u>	<u>818,261,375</u>
At 1 January 2016	<u>421,256,882</u>	<u>408,145,756</u>	<u>6,275,321</u>	<u>2,231,311</u>	<u>837,909,270</u>

As at 30 June 2016 and 31 December 2015, no fixed assets with restrictions placed on the Group's ownership.

V. Notes to the consolidated financial statements (continued)

10 Fixed assets (continued)

- (2) Fixed assets acquired under finance leases

As at 30 June 2016 and 31 December 2015, no fixed assets were acquired under finance leases.

- (3) Fixed assets leased out under operating leases

As at 30 June 2016, no fixed assets leased out under operating leases. During the period ended 30 June 2016, plant and buildings leased out by the Group has been reclassified into investment properties, see Note V.9.

- (4) Fixed assets with pending certificates of ownership

As at 30 June 2016 and 31 December 2015, the Group's fixed assets with pending certificates of ownership are as follows:

Item	30 June 2016 Carrying amount	31 December 2015	
		Carrying amount	Reason why certificates of ownership are pending
Buildings of Liquan Yitong Juice Co.,Ltd.	46,316,326	46,872,968	The certificates are in the process

11 Construction in progress

- (1) Construction in progress

Project	30 June 2016			31 December 2015		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Construction of refrigeration storage	7,591,165	-	7,591,165	5,835,509	-	5,835,509
Others	44,821	-	44,821	44,821	-	44,821
Total	<u>7,635,986</u>	<u>-</u>	<u>7,635,986</u>	<u>5,880,330</u>	<u>-</u>	<u>5,880,330</u>

As at 30 June 2016 and 31 December 2015, no interest was capitalized in construction in progress of the Group.

V. Notes to the consolidated financial statements (continued)

11 Construction in progress (continued)

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

2016		At	Additions	At	Percentage		Sources
Project	Budget	1 January	during	30 June	of actual	Project	of funds
		2016	the period	2016	cost to	progress	
					budget(%)		
Construction of refrigeration storage	10,387,060	5,835,509	1,755,656	7,591,165	73%	73%	Internal funding
Others	—	44,821	—	44,821			Internal funding
Total	<u>10,387,060</u>	<u>5,880,330</u>	<u>1,755,656</u>	<u>7,635,986</u>			

12 Intangible assets

Item	Land use rights
Cost	
At 1 January 2016	128,690,195
Additions during the period	
– Purchase	<u>2,514,000</u>
30 June 2016	<u>131,204,195</u>
Accumulated amortisation	
At 1 January 2016	(21,015,731)
Charge for the period	<u>(1,440,547)</u>
At 30 June 2016	<u>(22,456,278)</u>
Carrying amounts	
At 30 June 2016	<u>108,747,917</u>
At 1 January 2016	<u>107,674,464</u>

As at 30 June 2016 and 31 December 2015, all of the Group's land use rights are on medium-term lease.

As at 30 June 2016 and 31 December 2015, no interest was capitalized in intangible assets of the Group.

As at 30 June 2016 and 31 December 2015, the Group did not have intangible assets used as security for bank loans.

As at 30 June 2016 and 31 December 2015, the Group did not have land use rights with pending certificates of ownership.

V. Notes to the consolidated financial statements (continued)

13 Goodwill

(1) Changes in goodwill

Name of investee	Note	Balance at 1 January 2016	Additions during the period	Disposals during the period	Balance at 30 June 2016	Provision impairment at the end of the period
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	-
Total		<u>8,653,575</u>	<u>-</u>	<u>-</u>	<u>8,653,575</u>	<u>-</u>

- (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)

13 Goodwill (continued)

(2) Impairment provision against 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% (2015: 10%). The cash flows beyond the five-year forecast period were assumed to be stable. Based on the estimated recoverable amount, no impairment loss was recognised. However, as key assumptions on which management has made in respect of future cash projections are subject to change, an adverse change in the assumptions could cause the carrying amount to exceed its recoverable amount.

Key assumptions used in 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. included gross profit margin of 10%~24% and sales volume increase of 0%~13%, which was determined by management based on the basis of past performance up to the budget period.

14 Deferred tax assets

(1) Details of unrecognised deferred tax assets

Item	30 June 2016	31 December 2015
Deductible tax losses	<u>58,132,005</u>	<u>65,203,455</u>

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

Year	30 June 2016	31 December 2015
2016	-	12,710,556
2017	2,009,827	2,009,827
2018	3,070,754	3,070,754
2019	20,744,933	25,123,912
2020	22,087,683	22,288,406
2021	<u>10,218,808</u>	<u>-</u>
Total	<u>58,132,005</u>	<u>65,203,455</u>

V. Notes to the consolidated financial statements (continued)

15 Assets with restricted ownership or right of use

As at 30 June 2016, the assets with restrictions placed on their ownership are as follows:

Item	Note	Balance at the beginning of the period	Additions during the period	Decrease during the period	Balance at the end of the period	Reason for restriction
Cash at bank	V.1	<u>31,500,000</u>	<u>-</u>	<u>(31,500,000)</u>	<u>-</u>	<u>-</u>

16 Short-term loans

Category	30 June 2016				
	Annual interest rate	Currency	Principal	Exchange Rate	RMB
Credit loans	Base rate float downward 8%	RMB	-	-	40,000,000
Guaranteed loans	Base rate float downward 5%	RMB	-	-	47,500,000
Guaranteed loans	4.26%~4.35%	RMB	-	-	<u>150,000,000</u>
Total					<u>237,500,000</u>

Category	31 December 2015				
	Annual interest rate	Currency	Principal	Exchange Rate	RMB
Credit loans	4.01%~5.56%	RMB	-	-	115,000,000
Guaranteed loans	Base rate float upward 10%	RMB	-	-	49,000,000
Guaranteed loans	4.35%~4.79%	RMB	-	-	240,000,000
Credit loans*	Libor+2.0%	USD	7,500,000	6.4936	48,702,000
Loans secured by mortgage	1.93%	USD	5,000,000	6.4936	<u>32,468,000</u>
Total					<u>485,170,000</u>

* This loan item represents the subsidiaries' loans which are guaranteed by the Company. These loans are categorised as credit loans in the consolidated financial statements.

As at 30 June 2016 and 31 December 2015, the Group did not have past due short-term loans.

For the information of assets related to pledged loans and loans secured by mortgage, refer to Note V.15.

For the information of guaranteed loans, refer to Note IX.5.

V. Notes to the consolidated financial statements (continued)

17 Accounts payable

The ageing analysis of accounts payable is as follows:

Ageing	30 June 2016	31 December 2015
Within 6 months (inclusive)	33,341,793	60,694,180
Over 6 months but within 1 year (inclusive)	5,711,786	5,810,491
Over 1 year	2,403,382	2,486,747
Total	<u>41,456,961</u>	<u>68,991,418</u>

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

18 Employee remuneration payable

(1) Employee remuneration payable:

	Balance at 1 January 2016	Accrued during the period	Decreased during the period	Balance at 30 June 2016
Short-term employee remuneration	18,370,361	18,278,149	22,474,486	14,174,024
Post-employment benefits				
– defined contribution plans	–	1,762,090	1,762,090	–
Total	<u>18,370,361</u>	<u>20,040,239</u>	<u>24,236,576</u>	<u>14,174,024</u>

(2) Short-term employee remuneration

	Balance at 1 January 2016	Accrued during the period	Decrease during the period	Balance at 30 June 2016
Salaries, bonuses, allowances	5,499,884	16,646,498	20,402,527	1,743,855
Staff welfare	12,870,477	633,335	1,073,643	12,430,169
Social insurance				
– Medical insurance	–	587,363	587,363	–
– Work-related injury insurance	–	92,300	92,300	–
– Maternity insurance	–	83,909	83,909	–
Housing fund	–	150,713	150,713	–
Labour union fee, staff and workers' education fee	–	84,031	84,031	–
Total	<u>18,370,361</u>	<u>18,278,149</u>	<u>22,474,486</u>	<u>14,174,024</u>

V. Notes to the consolidated financial statements (continued)

18 Employee remuneration payable (continued)

(3) Post-employment benefits – defined contribution plans

	Balance at 1 January 2016	Accrued during the period	Decrease during the period	Balance at 30 June 2016
Basic pension insurance	–	1,678,181	1,678,181	–
Unemployment insurance	–	83,909	83,909	–
	<u>–</u>	<u>1,762,090</u>	<u>1,762,090</u>	<u>–</u>
Total	<u>–</u>	<u>1,762,090</u>	<u>1,762,090</u>	<u>–</u>

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. A member of the plan is entitled to a pension, to be paid by the municipal governments, equal to a fixed proportion of the salary prevailing at his retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

19 Taxes payable

Item	30 June 2016	31 December 2015
Value added tax	35,672,718	19,901,343
Corporate income tax	438,204	–
Land use tax	321,776	562,742
Property tax	166,883	108,492
Urban maintenance and construction tax	145,605	–
Education surcharges	131,511	–
Others	35,031	17,073
	<u>36,911,728</u>	<u>20,589,650</u>
Total	<u>36,911,728</u>	<u>20,589,650</u>

20 Dividends payable

Pursuant to the resolution passed at the annual general meeting on 25 May 2016, the dividend for the year ended 31 December 2015 of RMB0.05 per shares, totaling RMB19,050,000, was approved to distribute to shareholders of the Company.

The Group did not have individually significant dividends payable denominated in the foreign currency as at 30 June 2016 and 31 December 2015.

V. Notes to the consolidated financial statements (continued)

21 Other payables

Item	30 June 2016	31 December 2015
Related parties	122,453	–
Third parties	59,438,950	56,481,147
Total	59,561,403	56,481,147

22 Share capital

	1 January 2016	Changes during the period(+/-)			30 June 2016
		Issuance of new shares	Purchase of own shares	Sub-total	
Total shares	381,000,000	–	–	–	381,000,000
Amount (RMB)	381,000,000	–	–	–	381,000,000

23 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 premiums	75,090,349	–	–	75,090,349
Foreign currency translation	9,926	–	–	9,926
Total	75,100,275	–	–	75,100,275

24 Treasury shares

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Repurchased shares pending for deregistration	–	33,891,085	–	33,891,085

Pursuant to resolutions passed at the annual general meeting and the class meetings of the holders of the H shares and Promoter shares of the Company on 25 May 2016 as well as approvals from relevant government authorities, the Company repurchased 10,875,000 H Shares at considerations of HKD39,652,610 (equivalent to RMB33,891,085) (includes the cost of repurchased shares, stamp duty and commission) at Hong Kong Exchanges and Clearing Limited from 15 June 2016 to 30 June 2016. The repurchased shares had not been deregistered.

V. Notes to the consolidated financial statements (continued)

25 Other comprehensive income

Item	Balance at the beginning of the period attributable to shareholders of the Company	Movements during the period				Balance at the end of the period attributable to shareholders of the Company
		Before-tax amount	Less: transfer to profit or loss previously recognised	Less: Income tax expense	Net-of-tax amount attributable to shareholders of the Company	
Items that may be reclassified to profit or loss	178,356	262,547	(178,356)	-	84,191	262,547
Including:						
- Gain or loss on changes in fair value of available-for-sale financial assets	178,356	262,547	(178,356)	-	84,191	262,547
Total	<u>178,356</u>	<u>262,547</u>	<u>(178,356)</u>	<u>-</u>	<u>84,191</u>	<u>262,547</u>

26 Surplus reserve

Item	Balance at the beginning of the period	Additions during the period	Balance at the end of the period
Statutory surplus reserve	<u>105,794,859</u>	<u>-</u>	<u>105,794,859</u>

27 Retained earnings

Item	Note	Amount
At 1 January 2016		1,000,182,240
Add: Net profits for the period attributable to shareholders of the Company		66,333,525
Less: Dividends payable on ordinary shares	(1)	<u>19,050,000</u>
At 30 June 2016		<u>1,047,465,765</u>

As at 30 June 2016, distributable reserve of the Company amounted to RMB353,461,826 (31 December 2015: RMB366,364,934).

V. Notes to the consolidated financial statements (continued)

27 Retained earnings (continued)

- (1) Distribution of dividends of ordinary shares declared

Pursuant to the resolution passed at the annual general meeting on 25 May 2016, a dividend payable to equity shareholders of the Company of RMB0.05 per share, totalling RMB19,050,000, was approved.

Pursuant to the resolution passed at the annual general meeting on 26 May 2015, a dividend payable to equity shareholders of the Company of RMB0.05 per share, totalling RMB19,050,000, was approved.

The Board does not recommend interim dividends for the period ended 30 June 2016 and 30 June 2015.

28 Operating income and operating costs

Item	2016		2015	
	Income	Cost	Income	Cost
Principal activities	444,009,837	323,755,651	397,449,059	309,982,230
Other businesses	2,641,068	1,161,284	4,062,945	1,095,562
Total	<u>446,650,905</u>	<u>324,916,935</u>	<u>401,512,004</u>	<u>311,077,792</u>

Principal activities income primarily represents income arising from the sales of condensed juice and related products, and provision of processing services.

Other operating income primarily represents income arising from the sales of packaging materials, rental income and other.

29 Business taxes and surcharges

Item	For the six months ended 30 June	
	2016	2015
Urban maintenance and construction tax	1,068,070	1,636,733
Education surcharges	1,153,805	1,325,983
Foundation for water works	56,718	46,989
Total	<u>2,278,593</u>	<u>3,009,705</u>

V. Notes to the consolidated financial statements (continued)

30 Financial expenses

Item	For the six months ended 30 June	
	2016	2015
Interest expenses from bank borrowings	8,554,919	18,530,999
Interest income from deposits	(1,214,942)	(148,677)
Net exchange gains	(3,759,744)	(6,565,657)
Other financial expenses	176,101	139,496
Total	<u>3,756,334</u>	<u>11,956,161</u>

31 Impairment losses

Item	For the six months ended 30 June	
	2016	2015
Inventories	6,573	–
Fixed assets	–	502,717
Total	<u>6,573</u>	<u>502,717</u>

32 Investment income

Investment income by item

Item	For the six months ended 30 June	
	2016	2015
Income from long-term equity investments accounted for using the equity method	–	1,982,105
Investment income from holding available-for-sale financial assets	617,690	687,106
Investment income from disposal of available-for-sale financial assets	1,961,599	–
Including: Transfer from other comprehensive income	178,356	–
Total	<u>2,579,289</u>	<u>2,669,211</u>

V. Notes to the consolidated financial statements (continued)

33 Non-operating income

(1) Non-operating income by item is as follows:

Item	Note	For the six months ended 30 June	
		2016	2015
Government grants	(2)	3,091,550	156,985
Gains on disposal of non-current assets		138	29,342
Others		831	1,843
Total		<u>3,092,519</u>	<u>188,170</u>

(2) Details of government grants

Item	For the six months ended 30 June		Related to assets/income
	2016	2015	
Agriculture grants	1,750,000	17,500	related to income
Science and technology project subsidies	704,750	52,500	related to assets/income
Environment protection award	572,000	50,000	related to income
Others	64,800	36,985	related to income
Total	<u>3,091,550</u>	<u>156,985</u>	

During the six month ended 30 June 2016, the Group received grants totaling RMB3,091,550 from various government authorities as rewards for its contributions in research and development of juice condensation technology, local environmental protection and local agriculture industry.

34 Non-operating expenses

Item	For the six months ended 30 June	
	2016	2015
Losses on disposal of non-current assets	8,817	17,602
Others	390	—
Total	<u>9,207</u>	<u>17,602</u>

V. Notes to the consolidated financial statements (continued)

35 Income tax expenses

Item	For the six months ended 30 June	
	2016	2015
Current tax expenses for the period based on tax law and regulations	438,204	36,571
Recognition of income tax made in previous years	874,504	25,611
Total	<u>1,312,708</u>	<u>62,182</u>

(1) Reconciliation between income tax expense and accounting profit:

Item	For the six months ended 30 June	
	2016	2015
Profit before taxation	67,646,233	38,105,174
Expected income tax expenses at tax rate of 25%	16,911,558	9,526,294
Effect of taxation preferential benefit	(19,822,605)	(12,390,903)
Effect of different tax rates applied by certain subsidiaries	1,254,945	620,816
Effect of tax loss of tax-exempted business	–	200,437
Effect of unrecognised deferred tax asset for deductible loss	2,554,702	2,233,572
Effect of utilisation of deductible loss, which had not been recognised as deferred tax asset in previous years	(498,758)	(302,593)
Adjustment to income tax of previous years	874,504	25,611
Effect of non-deductible costs, expenses and losses	<u>38,362</u>	<u>148,948</u>
Income tax expense	<u>1,312,708</u>	<u>62,182</u>

V. Notes to the consolidated financial statements (continued)

36 Basic earnings per share and diluted earnings per share

- (1) Basic earnings per share and diluted earnings per share

Basic earnings per share and diluted earnings per share are 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 months ended 30 June	
	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company	<u>66,333,525</u>	<u>38,042,992</u>
Weighted average number of ordinary shares outstanding	<u>380,495,047</u>	<u>391,183,655</u>
Basic earnings per share (RMB/share)	<u>0.174</u>	<u>0.097</u>
Diluted earnings per share (RMB/share)	<u>0.174</u>	<u>0.097</u>

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

- (2) Weighted average number of the Company's ordinary shares is calculated as follows:

	30 June 2016	30 June 2015
Issued ordinary shares at 1 January	381,000,000	392,600,000
Effect of repurchase of own shares	<u>(504,953)</u>	<u>(1,416,345)</u>
Weighted average number of ordinary shares at 30 June	<u>380,495,047</u>	<u>391,183,655</u>

V. Notes to the consolidated financial statements (continued)

37 Supplement to income statement

Expenses analysed by their nature:

Item	For the six months ended 30 June	
	2016	2015
Operating income	446,650,905	401,512,004
Less: Changes in inventories of finished goods	242,163,034	217,136,298
Finished goods purchased	–	41,550,449
Raw materials and packaging materials used	62,435,969	25,099,301
Employee remuneration expenses	20,040,239	15,593,092
Depreciation and amortisation expenses	26,065,220	20,884,545
Financial expenses	3,756,334	11,956,161
Impairment losses	6,573	502,717
Other expenses	30,199,904	33,524,046
Add: Investment income	2,579,289	2,669,211
Operating profit	64,562,921	37,934,606

38 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 months ended 30 June	
	2016	2015
Net profit	66,333,525	38,042,992
Add: Depreciation and amortisation of fixed assets and investment properties	24,624,673	19,456,926
Amortisation of intangible assets	1,440,547	1,427,619
Impairment provisions against assets	6,573	502,717
Net losses/(gains) on disposal of fixed assets	8,679	(11,740)
Financial expenses	5,005,600	18,410,119
Investment income	(2,579,289)	(2,669,211)
Decrease in gross inventories	238,354,221	214,947,567
(Increase)/decrease in operating receivables	(16,858,816)	13,635,174
Decrease in operating payables	(9,948,329)	(31,770,977)
Net cash flow from operating activities	306,387,384	271,971,186

V. Notes to the consolidated financial statements (continued)

38 Supplementary information on cash flow statement (continued)

(1) Supplement to cash flow statement (continued)

b. Change in cash and cash equivalents:

Item	30 June 2016	30 June 2015
Cash at the end of the period	152,276,584	508,689,289
Less: Cash at the beginning of the period	106,373,059	191,534,476
	<hr/>	<hr/>
Net increase in cash and cash equivalents	45,903,525	317,154,813
	<hr/> <hr/>	<hr/> <hr/>

(2) Details of cash and cash equivalents

Item	30 June 2016	30 June 2015
Cash at bank and on hand		
Including: Cash on hand	128,887	814,739
Bank deposits available on demand	152,147,697	507,874,550
	<hr/>	<hr/>
Closing balance of cash and cash equivalents	152,276,584	508,689,289
	<hr/> <hr/>	<hr/> <hr/>

VI. Interests in other entities

1 Interests in subsidiaries

(1) Composition of the Group

Name of the Subsidiary	Principal place of business	Registration place	Business nature	Registered capital	Shareholding percentage		Acquisition method
					Direct	Indirect	
Baishui Andre Juice Co., Ltd.	Shaanxi, PRC	Shaanxi, PRC	Manufacture and sale of condensed juice	USD17,125,000	75%	25%	establishment
Yantai Longkou Andre Juice Co., Ltd.	Shandong, PRC	Shandong, PRC	Manufacture and sale of condensed juice	USD12,235,000	75%	25%	establishment
Xuzhou Andre Juice Co., Ltd.	Jiangsu, PRC	Jiangsu, PRC	Manufacture and sale of condensed juice	USD10,000,000	75%	25%	establishment
Andre Juice Co., Ltd.	British Virgin Islands	British Virgin Islands	Investment holding	USD50,000	100%	–	establishment
North Andre Juice (USA) Inc.	The United States of America	The United States of America	Sale of condensed juice	USD10,000	–	100%	establishment
Dalian Andre Juice Co., Ltd.	Liaoning, PRC	Liaoning, PRC	Manufacture and sale of condensed juice	RMB80,000,000	70%	30%	establishment
Binzhou Andre Juice Co., Ltd.	Shandong, PRC	Shandong, PRC	Manufacture and sale of condensed juice	USD12,100,000	75%	25%	establishment
Yantai Andre Juice Co., Ltd.	Shandong, PRC	Shandong, PRC	Manufacture and sale of fruit pulp	USD4,832,000	75%	25%	establishment
Yongji Andre Juice Co., Ltd.	Shanxi, PRC	Shanxi, PRC	Manufacture and sale of condensed juice	USD12,960,000	75%	25%	acquisition
Anyue Andre Lemon Industry Technology Co., Ltd.	Sichuan, PRC	Sichuan, PRC	Manufacture and sale of condensed juice	RMB50,000,000	100%	–	acquisition
Liquan Yitong Juice Co., Ltd.	Shaanxi, PRC	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 main risks from its use of financial instruments in the normal course of the Group's operations:

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

This note 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 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, receivables, debt investments and derivative financial instruments entered into for hedging purposes and other financial assets. Exposure to these credit risks are monitored by management on an ongoing basis.

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.

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. Receivables are due within 180 days from the date of billing. Debtors with balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In monitoring customer credit risk, customers are grouped according to certain factors, such as ageing and maturity date.

VII. Risk related to financial instruments (continued)

(1) Credit risk (continued)

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 60% (31 December 2015: 53%) of the total accounts receivable and other receivables were due from the ten 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.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long-term strategic purposes, and counterparties have equivalent or higher credit ratings than the Group. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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.

(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 show 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:

VII. Risk related to financial instruments (continued)

(2) Liquidity risk (continued)

Item	At 30 June 2016 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	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	
Financial liabilities						
Short-term loans	240,730,068	-	-	-	240,730,068	237,500,000
Accounts payable and other payables	82,681,749	-	-	-	82,681,749	82,681,749
Dividends payable	19,050,000	-	-	-	19,050,000	19,050,000
Interest payable	684,869	-	-	-	684,869	684,869
Long-term payables	-	-	-	1,111,000	1,111,000	785,036
Total	343,146,686	-	-	1,111,000	344,257,686	340,701,654

Item	At 31 December 2015 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	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	
Financial liabilities						
Short-term loans	497,962,884	-	-	-	497,962,884	485,170,000
Accounts payable and other payables	109,212,200	-	-	-	109,212,200	109,212,200
Interest payable	2,820,527	-	-	-	2,820,527	2,820,527
Long-term payables	-	-	-	1,111,000	1,111,000	766,519
Total	609,995,611	-	-	1,111,000	611,106,611	597,969,246

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:

Item	30 June 2016		31 December 2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Short-term loans	4.26%~4.35%	<u>(150,000,000)</u>	1.93%~5.56%	<u>(387,468,000)</u>
Total		<u><u>(150,000,000)</u></u>		<u><u>(387,468,000)</u></u>

Variable rate instruments:

Item	30 June 2016		31 December 2015	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial assets				
– Cash at bank	0.01%~1.75%	<u>152,147,697</u>	0.01%~1.75%	106,150,765
Financial liabilities				
– Short-term loans	Base rate float downward 5%~8%	<u>(87,500,000)</u>	Base rate float upward 10% /Libor+2%	<u>(97,702,000)</u>
Total		<u><u>64,647,697</u></u>		<u><u>8,448,765</u></u>

(b) Sensitivity analysis

As at 30 June 2016, 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 by RMB242,429 (2015: RMB31,683), and net profit by RMB242,429 (2015: RMB31,683).

VII. Risk related to financial instruments (continued)

(3) Interest rate risk (continued)

(b) Sensitivity analysis (continued)

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 six months period impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous period.

(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 2016, 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.

	30 June 2016		31 December 2015	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand				
– USD	16,031,749	106,309,734	8,819,244	57,268,642
– HKD	7,598,038	6,494,043	599,254	502,055
Accounts receivable				
– USD	17,957,366	119,078,886	6,046,399	39,262,897
Short-term loans				
– USD	–	–	(12,500,000)	(81,170,000)
Accounts payable				
– USD	(3,925,878)	(26,033,282)	(4,774,524)	(31,003,849)
Other payables				
– USD	(182,210)	(1,208,271)	–	–
Net balance sheet exposure				
– USD	29,881,027	198,147,066	(2,408,881)	(15,642,310)
– HKD	7,598,038	6,494,043	599,254	502,055

VII. Risk related to financial instruments (continued)

(4) Foreign currency risk (continued)

- (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 2016	31 December 2015	30 June 2016	31 December 2015
USD	6.5624	6.3063	6.6312	6.4936
HKD	0.8463	0.8134	0.8547	0.8378

- (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 2016 and 31 December 2015 would have (decreased)/increased 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 2016		
USD	(7,430,515)	(7,430,515)
HKD	(243,527)	(243,527)
Total	<u>(7,674,042)</u>	<u>(7,674,042)</u>
As at 31 December 2015		
USD	586,586	586,586
HKD	(18,827)	(18,827)
Total	<u>567,759</u>	<u>567,759</u>

A 5% weakening of the Renminbi against the US dollar and Hong Kong dollar at 30 June 2016 and 31 December 2015 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 period.

(5) Other price risks

Other price risks include commodity price risk, etc.

VIII. Fair value disclosure

The following table 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

As at 30 June 2016, the Group only has other current assets and available-for-sale financial assets, which were measured at fair value under Level 2, amounting to RMB54,562,547 (31 December 2015: RMB86,178,356).

The following table presents the carrying value of financial instruments measured at fair value as at 30 June 2016 and 31 December 2015.

Asset	Note	30 June 2016	31 December 2015
Other current assets	V.7	<u>44,509,104</u>	<u>86,178,356</u>
Available-for-sale financial assets	V.8	<u>10,053,443</u>	<u>–</u>

2 Reasons for transfers between different levels, and the policy of determining the timing of those transfers for items under the recurring fair value measurements

During the six months ended 30 June 2016, there were no transfers between different levels of the Group's above assets and liabilities which are measured at fair value on a recurring basis. The Group recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

3 Current changes in valuation techniques and the reasons

During the six months ended 30 June 2016, there were no changes in valuation techniques for the recurring and non-recurring fair value measurements.

IX. Related parties and related party transactions

1 Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VI.1.

2 Information on other related parties

Name of other related parties	Related party relationship
Shandong Andre Group Co., Ltd.	An entity which has significant influence over the Group (i)
Uni-President Enterprises (China) Investment Co., Ltd.	An entity which has significant influence over the Group (i)
Chengdu President Enterprises Food Co., Ltd.	An entity which holds more than 10% shares of the Group
China Pingan Investment Holdings Limited	An entity which holds more than 10% shares of the Group
Donghua Fruit Industry Co., Ltd.	An entity which holds more than 10% shares of the Group
Yantai Andre Yangma Resort Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd.
Yantai Andre Real Estate Development Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd.
Yantai Andre Micro-Credit Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd
Yantai Andre Pectin Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd.
Yantai Hengtong Heat Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd. (ii)
Liquan Yitong Heat Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd. (ii)
Yantai Yitong Heat Co., Ltd.	A subsidiary of Shandong Andre Group Co., Ltd. (ii)
Yantai Xinping Jian'an Co., Ltd.	An entity which was controlled by the chairman and his relative
Yantai Andre Art Gallery	An entity which was controlled by the chairman
Yantai Andre Painting Gallery	An entity which was controlled by the chairman

- (i) Shandong Andre Group Co., Ltd. and Uni-President Enterprises (China) Investment Co., Ltd. exercised their significant influence over the Company through their representations in the board of directors of the Company.
- (ii) Shandong Andre Group Co., Ltd. acquired 100% ownership of Yantai Hengtong Heat Co., Ltd. and its wholly subsidiaries on 28 December 2015. Upon completion of the acquisition, Liquan Yitong Heat Co., Ltd. and Yantai Yitong Heat Co., Ltd., become related parties of the Company.

IX. Related parties and related party transactions (continued)

3 Transactions with related parties

During the six months ended 30 June 2016, the Group entered into transactions with related parties as set out as follows. Some of these related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

(1) Related party transactions

	Note	For the six months ended 30 June			
		The Group		The Company	
		2016	2015	2016	2015
Sales of goods		32,480,046	68,025,993	39,235,637	25,280,711
Purchases of goods		5,407,437	18,283	279,417,448	144,361,662
Purchases of maintenance services		183,388	89,733	129,592	89,733
Storage charge income		-	1,968,118	-	-
Operating lease charges		-	124,468	-	124,468
Rental income	(i)	729,890	-	729,890	-
Purchase of investment properties	(ii)	15,358,970	-	15,358,970	-
Purchase of fixed assets	(ii)	10,312,105	-	18,476,073	-
Purchase of intangible assets	(ii)	2,514,000	-	2,514,000	-
Provision of services		77,499	-	-	-
Provision of funds		-	-	291,830,905	72,089,541

- (i) Rental income represents the rental generated from renting part of the Group's office building located at 889 Xincheng Street, Muping District, Yantai to Yantai Andre Pectin Co., Ltd.
- (ii) Purchase of investment properties, fixed assets and intangible assets represents the amounts paid by Group in purchasing the office building and land use rights located at 889 Xincheng Street, Muping District, Yantai from Yantai Andre Pectin Co. Ltd.

IX. Related parties and related party transactions (continued)

3 Transactions with related parties (continued)

(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. Remuneration for key management personnel of the Group is as follows:

The Group

	For the six months ended 30 June	
	2016	2015
Remuneration of key management personnel	<u>1,326,147</u>	<u>1,231,827</u>

The Company

	For the six months ended 30 June	
	2016	2015
Remuneration of key management personnel	<u>854,247</u>	<u>790,154</u>

For the six months ended 30 June 2016 and 2015, 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 months ended 30 June 2016 and 2015, no fees or any other emoluments were waived by directors or supervisors.

4 Receivables from and payables to related parties

	The Group		The Company	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Accounts receivable	8,304,983	1,762,385	21,380,231	18,147,374
Prepayments	459,061	–	459,061	–
Dividends receivable	–	–	56,822,440	56,822,440
Other receivables	8,178	28,654,071	313,613,143	605,438,723
Accounts payable	214,939	2,795,971	239,818,990	190,261,636
Advances	–	72,466	–	–
Other payables	122,453	–	76,492,386	117,961,572

IX. Related parties and related party transactions (continued)

5 Guarantee

- (1) The Company as a guarantor

Guarantee holder	For the six months ended 30 June		2015	
	2016 Amount of guarantee	Guarantee completed (Y/N)	Amount of guarantee	Guarantee completed (Y/N)
Andre Juice Co., Ltd.	<u>50,000,000</u>	Y	<u>-</u>	N/A

- (2) The Group as the guarantee holder

Name of guarantor	For the six months ended 30 June		2015	
	2016 Amount of guarantee	Guarantee completed (Y/N)	Amount of guarantee	Guarantee completed (Y/N)
Shandong Andre Group Co., Ltd.	197,500,000	N	332,188,320	N
Shandong Andre Group Co., Ltd.	<u>189,000,000</u>	Y	<u>287,500,000</u>	Y
Total	<u>386,500,000</u>		<u>619,688,320</u>	

- (3) The Company as the guarantee holder

Name of guarantor	For the six months ended 30 June		2015	
	2016 Amount of guarantee	Guarantee completed (Y/N)	Amount of guarantee	Guarantee completed (Y/N)
Shandong Andre Group Co., Ltd.	197,500,000	N	332,188,320	N
Shandong Andre Group Co., Ltd.	<u>189,000,000</u>	Y	<u>287,500,000</u>	Y
Total	<u>386,500,000</u>		<u>619,688,320</u>	

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.

During the six months ended 30 June 2016, the Group's strategy, which was unchanged from 2015, was to maintain an adjusted net debt-to-capital ratio of no more than 30%. 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 2016	31 December 2015
Contracts for acquisition of fixed assets being or to be executed	624,802	2,056,017

(2) Operating lease commitments

As at 30 June 2016 and 31 December 2015, the Group and the Company had no non-cancellable operating leases.

XI. Commitments and Contingencies (continued)

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

As at 30 June 2016 and 31 December 2015, the Group did not have contingent liabilities arising from outstanding litigations and arbitration.

3 Contingent liabilities arising from guarantees provided for other enterprises and related financial effect

As at 30 June 2016 and 31 December 2015, the Group did not provide guarantees in respect of the bank loans of other company.

XII. Post balance sheet date events

Material non-adjusting post balance sheet date events

The Company had repurchased 2,125,000 H Shares at considerations of HKD8,392,926 (equivalent to RMB7,173,435) (includes the cost of repurchased shares, stamp duty and commission) at Hong Kong Exchanges and Clearing Limited from 5 July 2016 to 11 July 2016.

The total repurchased shares of 13,000,000 had been deregistered on 22 July 2016, including the 10,875,000 shares repurchased from 15 June 2016 to 30 June 2016 and the 2,125,000 shares repurchased from 5 July 2016 to 11 July 2016. The Company's issued share capital was reduced by the amount equivalent to the par value of the repurchased shares. Excess of the repurchase price over the par value of the repurchased shares were charged against the capital reserve. As a result, the total number of shares in issued was reduced from 381,000,000 shares to 368,000,000 shares with a par value of RMB1.00 each, the share capital was reduced by RMB13,000,000 and the capital reserve was reduced by RMB28,064,520.

XIII. Other significant items

1 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 months ended 30 June	
	2016	2015
China	112,601,335	160,788,219
North America	124,216,080	64,898,751
Asia (excluding China)	91,241,406	90,837,394
Europe	71,701,087	41,372,774
Oceania	30,872,327	31,507,802
Africa	16,018,670	12,107,064
Total	<u>446,650,905</u>	<u>401,512,004</u>

As at 30 June 2016, the carrying amount of non-current assets located overseas is RMB291,257 (31 December 2015: RMB285,213).

During the six months ended 30 June 2016, the Group has one customer (during the six months ended 30 June 2015: one customer), the operating income from which is over 10% of the Group's total operating income. The operating income from the customer represents approximately 12% of the Group's total operating income (during the six months ended 30 June 2015: 17%), which is summarised in the table below:

Customers	For the six months ended 30 June			
	2016		2015	
	Segment name	Amount	Segment name	Amount
Customer 1	Europe	53,202,598	Europe	Below 10% of the Group's total operating income
Customer 2	Asia (excluding China)	Below 10% of the Group's total operating income	Asia (excluding China)	68,185,158

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

1 Accounts receivable

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

Type	30 June 2016	31 December 2015
Subsidiaries	20,352,037	17,447,502
Other related parties	1,028,194	699,872
Third parties	101,134,792	72,323,573
Sub-total	122,515,023	90,470,947
Less: Provision for bad and doubtful debts	—	—
Total	122,515,023	90,470,947

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

Ageing	30 June 2016	31 December 2015
Within 6 months (inclusive)	114,833,558	73,023,445
Over 6 months but within 1 year (inclusive)	7,681,465	17,447,502
Sub-total	122,515,023	90,470,947
Less: Provision for bad and doubtful debts	—	—
Total	122,515,023	90,470,947

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

- (3) Accounts receivable of the Company are individually significant, therefore the account receivables are assessed for impairment and bad debt provision is determined on an individual basis and, then, on a collective group basis. Management is of the view that no bad debt provision is necessary for the accounts receivable balances in regard of the sound credit record of the customers.

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

2 Other receivables

- (1) Other receivables by customer type are as follows:

Type	30 June 2016	31 December 2015
Subsidiaries	313,607,819	605,438,723
Other related parties	5,324	–
Third parties	4,222,396	4,222,837
	<hr/>	<hr/>
Sub-total	317,835,539	609,661,560
Less: Provision for bad and doubtful debts	3,987,685	3,987,685
	<hr/>	<hr/>
Total	<u>313,847,854</u>	<u>605,673,875</u>

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

Ageing	30 June 2016	31 December 2015
Within 1 year (inclusive)	313,847,854	605,673,875
Over 3 years	3,987,685	3,987,685
	<hr/>	<hr/>
Sub-total	317,835,539	609,661,560
Less: Provision for bad and doubtful debts	3,987,685	3,987,685
	<hr/>	<hr/>
Total	<u>313,847,854</u>	<u>605,673,875</u>

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

- (3) As at 30 June 2016 and 31 December 2015, the Company did not hold any other receivables which were denominated in foreign currency.

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

3 Long-term equity investments

(1) Long-term equity investments by category:

Item	30 June 2016	31 December 2015
Investments in subsidiaries	573,355,647	573,355,647
Less: Provision for impairment	—	—
Total	<u>573,355,647</u>	<u>573,355,647</u>

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

Investee	Book value of long-term equity investment				Shareholding percentage (%)	Voting rights percentage (%)	Cash dividend for the period
	Investment cost	At 1 January 2016	Increase/Decrease	At 30 June 2016			
Cost method-subsiaries							
Baishui Andre Juice Co., Ltd.	110,630,130	110,630,130	—	110,630,130	75%	75%	—
Yantai Longkou Andre Juice Co., Ltd.	80,622,696	80,622,696	—	80,622,696	75%	75%	—
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%	—
Binzhou Andre Juice Co., Ltd.	107,893,488	107,893,488	—	107,893,488	75%	75%	—
Yantai Andre Juice Co., Ltd.	30,000,000	30,000,000	—	30,000,000	75%	75%	—
Yongji Andre Juice Co., Ltd.	77,443,907	77,443,907	—	77,443,907	75%	75%	—
Anyue Andre Lemon Industry Technology Co., Ltd.	52,120,000	52,120,000	—	52,120,000	100%	100%	—
Total	<u>573,355,647</u>	<u>573,355,647</u>	<u>—</u>	<u>573,355,647</u>			<u>—</u>

The detail of the Company's subsidiaries is set out in Note VI.1.

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

4 Operating income and operating costs

Item	2016		2015	
	Income	Cost	Income	Cost
Principal activities	350,143,147	318,622,865	272,936,915	244,354,181
Other businesses	3,037,252	1,984,219	4,360,373	3,702,570
Total	<u>353,180,399</u>	<u>320,607,084</u>	<u>277,297,288</u>	<u>248,056,751</u>

Principal activities income primarily represents income arising from the sales of condensed juice and related products, and provision of processing services.

Other business income primarily represents income arising from the sales of packaging material, rental income and other.

5 Investment income

Investment income by item

Item	For the six months ended 30 June	
	2016	2015
Income from long-term equity investments accounted for using the equity method	–	991,052
Investment income from holding available-for-sale financial assets	617,690	687,106
Investment income from disposal of available-for-sale financial assets	1,961,599	–
Including: Transfer from other comprehensive income	178,356	–
Total	<u>2,579,289</u>	<u>1,678,158</u>

XV. Comparative figure

The comparative figures of 2015 represent figures for the six months period from 1 January 2015 to 30 June 2015 and as at 31 December 2015. Certain items in these comparative figures have been reclassified to conform to the current period's presentation to facilitate comparison.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2016, the Group's turnover was approximately RMB446,651,000 as compared to approximately RMB401,512,000 for the corresponding period in 2015, representing an increase of approximately RMB45,139,000 or 11.24%. The Group's turnover was principally derived from the manufacture and sale of apple juice concentrate, pear juice concentrate, apple essence, feedstuff and related products, and provision of processing services. The increase in turnover was mainly attributable to the significant increase in sales volume of the juice concentrate.

For the six months ended 30 June 2016, the Group's gross profit was approximately RMB121,734,000 and the gross profit margin was approximately 27%. For the corresponding period in 2015, the gross profit was approximately RMB90,434,000 and gross profit margin was approximately 23%. The increase in gross profit was mainly attributable to the decrease in the cost of fruits.

For the six months ended 30 June 2016, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB66,334,000, as compared to approximately RMB38,043,000 for the corresponding period in 2015, representing an increase of approximately RMB28,291,000 or 74.37%. The increase in net profit was mainly attributable to the increase in gross profit and decrease in finance costs.

For the six months ended 30 June 2016, the Group incurred selling and distribution expenses of approximately RMB33,222,000, as compared to approximately RMB21,367,000 for the corresponding period in 2015, representing an increase of approximately RMB11,855,000. The Group's selling and distribution expenses mainly included transport, export inspection and marketing expenses. Such increase was mainly attributable to the significant increase in sales volume.

For the six months ended 30 June 2016, the Group incurred general and administrative expenses of approximately RMB20,486,000 as compared to approximately RMB18,333,000 for the corresponding period in 2015, representing an increase of approximately RMB2,153,000. Such increase was attributable to the acquisition of a subsidiary, Liquan Yitong Juice Co., Ltd., in August 2015.

For the six months ended 30 June 2016, the net financial expenses of the Group were approximately RMB3,756,000, as compared to approximately RMB11,956,000 for the corresponding period in 2015, representing a decrease of approximately RMB8,200,000. Such decrease was mainly due to the decrease in average loan balance.

Business Review

Stabilising Market Coverage

During the first half of 2016, 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 US, Japan, Europe, Oceania and African countries and PRC market.

Optimisation of Customer Base

While expanding its market places and market share, the Group also leveraged on the prime quality of its products to optimise its profile of customer base continuously. 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 US, European, Oceania, African countries and Japan. The Company will put more efforts in the development of various emerging markets, with a view to breaking through these markets. On the other hand, the Company has in recent years explored the market opportunities for its new products and niche products as well as the development of new customer groups. This will satisfy both the needs of the market and our customers, as well as fulfill our target of product mix expansion.

Further Exploitation of the Domestic Market

As the domestic consumer market for apple juice concentrate further expands, the Group will continue to maintain good business relationships with existing customers in the second half of 2016 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.

Develop Financing Channels

The Group will closely monitor the trend of Renminbi exchange rate against US dollar and adjust the proportion of Renminbi and US dollar loans. The Group will continue to actively engage in cooperation with domestic and international financial institutions to diversify its financing channels and increase the variety of financing products, in order to reduce the Group's exchange rate risk and finance cost, improve capital structure and facilitate better business development.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2016, the Group had a total of 843 employees and the total employee remuneration for the six months ended 30 June 2016 was approximately RMB20,040,000. 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 RMB0.05 per share for the year ended 31 December 2015. The proposal to declare and pay this final dividend was passed at the annual general meeting of the Company held on 25 May 2016.

The Board proposed not to distribute interim dividend for the period ended 30 June 2016.

SIGNIFICANT INVESTMENT

Except as disclosed in Note V.7 and 8 to the Interim Result section, no significant investment was made by the Group during the six months ended 30 June 2016.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries have been made by the Company during the six months ended 30 June 2016.

CONTINGENT LIABILITIES

The directors of the Company (the "Directors") were not aware of any material contingent liability as at 30 June 2016.

CHARGE OF ASSETS

Except as disclosed in Note V.15 to the Interim Result section, the Group has no assets charged as at 30 June 2016.

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 2016, the Group had outstanding bank loans amounted to approximately RMB237,500,000. All were borrowings denominated in RMB. Interest rates ranged from 4.00% to 4.35%.

As at 30 June 2016, the Group had a net cash and cash equivalent position of approximately RMB152,277,000. The Group's gearing ratio at 30 June 2016 was approximately 21% (30 June 2015: approximately 33%) which was calculated based on the Group's total liabilities of approximately RMB417,130,000 (30 June 2015: approximately RMB738,113,000) and total equity and liabilities of approximately RMB1,992,862,000 (30 June 2015: approximately RMB2,265,631,000). The Directors considered that the Group had sufficient financial resources to meet its ongoing operation requirements.

FOREIGN EXCHANGE EXPOSURE

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2016, the Company repurchased a total of 10,875,000 H shares with par value of HK\$1.00 each on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK\$3.36 to HK\$3.85 per H share, for a total consideration of HK\$39,652,610.

Save as disclosed above, 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 2016.

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

As at 30 June 2016, 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 Domestic Shares/ H Shares	Approximate Percentage of Total Share Capital
Wang An (Note 1)	Domestic Shares	101,010,501 (L)	Interest of controlled corporations (Note 2)	Personal	40.32%	26.51%
Wang Yanhui (Note 3)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.98%	5.25%
Zhang Hui (Note 5)	Domestic Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.98%	5.25%
Liu Tsung-Yi	H Shares	195,400 (L)	Beneficial owner	Personal	0.15%	0.05%

Notes:

The letter “L” denotes a long position.

- (1) As at 30 June 2016, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 Domestic Shares, representing 12.17% 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 14.35% interest in the total issued share capital of the Company.
- (2) Mr. Wang An was deemed to be interested in these Domestic Shares through his interest 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 2016, 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 5.25% 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 2016, 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 5.25% 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)) .

* For identification purpose only.

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

As at 30 June 2016, 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 Domestic Shares/H Shares	Approximate Percentage of Total Share Capital
China Pingan Investment Holdings Limited	Domestic Shares	46,351,961 (L) <i>(Note 1)</i>	Beneficial owner	Corporate	18.50%	12.17%
Shandong Andre Group Co., Ltd.* (山東安德利集團有限)	Domestic Shares	54,658,540 (L) <i>(Note 2)</i>	Beneficial owner	Corporate	21.82%	14.35%
Donghua Fruit Industry Co., Ltd.	Domestic Shares	65,779,459 (L) <i>(Note 3)</i>	Beneficial owner	Corporate	26.26%	17.26%
Uni-President Enterprises Corp.	Domestic Shares	63,746,040 (L) <i>(Note 4)</i>	Interest of controlled corporations <i>(Note 5)</i>	Corporate	25.44%	16.73%
	H Shares	237,000 (L)	Beneficial owner <i>(Note 6)</i>	Corporate	0.18%	0.06%
Norges Bank	H Shares	9,081,500 (L)	Beneficial owner	Corporate	6.96%	2.38%
Mitsui & Co., Ltd.	H Shares	21,340,000 (L) <i>(Note 7)</i>	Beneficial owner	Corporate	16.36%	5.60%

* For identification purpose only.

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Domestic Shares/ H Shares	Approximate Percentage of Total Share Capital
Hongnan International Investment Co. Ltd.	Domestic Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	26.26%	17.26%
	H Shares	23,771,380 (L)	Beneficial owner	Corporate	18.22%	6.24%
Zhang Shaoxia	Domestic Shares	101,010,501 (L)	Interest of spouse (Note 8)	Personal	40.32%	26.51%
Wang Meng	Domestic Shares	65,779,459 (L)	Interest of controlled corporations (Note 9)	Personal	26.26%	17.26%
	H Shares	23,771,380 (L)	Interest of controlled corporations (Note 10)	Personal	18.22%	6.24%
Yantai Xingan Investment Centre (Limited Partnership)	Domestic Shares	20,000,000 (L)	Beneficial Owner	Corporate	7.98%	5.25%
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 11)	Beneficial owner	Corporate	8.43%	2.89%
Shenzhen Tiandi Win-Win Investment Management Co., Limited (深圳市天地共贏投資管理有限公司)	H Shares	11,000,000 (L) (Note 11)	Interest of controlled corporations	Corporate	8.43%	2.89%
Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司)	H Shares	11,000,000 (L) (Note 11)	Interest of controlled corporations	Corporate	8.43%	2.89%
Chen Sheng	H Shares	11,000,000 (L) (Note 11)	Interest of controlled corporations	Personal	8.43%	2.89%
Citigroup Inc.	H Shares	7,620,750 (L) (Note 12)	Interest of controlled corporations	Corporate	5.84%	2.00%

Notes:

The letter “L” denotes a long position.

- (1) Mr. Wang An, a Director, was deemed to be interested in these Domestic Shares through his 90% interest in China Pingan Investment Holdings Limited.
- (2) Mr. Wang An, a Director, 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 Domestic 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 Domestic 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 11.13% 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 5.60% 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) After the capitalization issue of shares by the Company in 2007, the number of H Shares held by Mitsui & Co., Ltd. was adjusted from 97,000,000 H Shares to 213,400,000 H Shares. Upon the share consolidation of the Company in January 2013, the number of H Shares held by Mitsui & Co., Ltd was further adjusted to 21,340,000 H Shares.
- (8) 101,010,501 Domestic Shares were held by Mr. Wang An, the husband of Ms. Zhang Shaoxia, therefore Ms. Zhang Shaoxia was deemed to be interested in these shares.
- (9) Ms. Wang Meng indirectly held 100% of the issued share capital of Donghua Fruit Industry Co., Ltd., which in turn held 65,779,459 Domestic Shares. Therefore Ms. Wang Meng was deemed to be interested in these shares.
- (10) Ms. Wang Meng directly held the entire issued share capital of Hongan International Investment Co., Ltd., which in turn held 23,771,380 H Shares. Therefore, Ms. Wang Meng was deemed to be interested in these shares.

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- (11) 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 76.66% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).
- (12) The long position in 7,620,750 H Shares was held by Citicorp Holdings Inc., a wholly-owned subsidiary of Citigroup Inc., through its wholly-owned subsidiary Citibank N.A.

COMPETING INTERESTS

As at 30 June 2016, 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 Company is negotiating with the relevant insurance agents about the liability insurance for the Directors and will arrange such insurance cover in due course.

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 2016 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 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 2016.

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 2016.

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 Tong Ning) 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 2016.

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

Yantai, the PRC, 26 August 2016

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 Tong Ning (*Independent non-executive Director*)

* *For identification purpose only.*