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 2018

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)

Consolidated Balance Sheet-unaudited
As at 30 June 2018
(Expressed in Renminbi Yuan)

	Note	**30 June 2018**	31 December 2017
ASSETS			
Current assets:			
Cash at bank and on hand	V.1	**344,079,615**	79,398,474
Bills and accounts receivable	V.2	**182,870,244**	201,557,912
Prepayments	V.3	**5,537,535**	3,081,104
Other receivables	V.4	**1,247,431**	42,047,494
Inventories	V.5	**444,333,141**	771,009,840
Other current assets	V.6	**31,431,548**	51,348,620
Total current assets		**1,009,499,514**	1,148,443,444
Non-current assets:			
Fixed assets	V.7	**724,887,544**	738,422,507
Construction in progress	V.8	**22,397,875**	121,660
Intangible assets	V.9	**90,884,168**	89,228,391
Goodwill	V.10	**5,586,976**	5,586,976
Total non-current assets		**843,756,563**	833,359,534
Total assets		**1,853,256,077**	1,981,802,978

The notes on pages 14 to 109 form part of these financial statements.

	Note	**30 June 2018**	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	V.13	**20,000,000**	170,000,000
Bills and accounts payable	V.14	**41,711,463**	86,369,615
Advance payments received		**–**	2,399,933
Contract liabilities	V.15	**3,532,644**	–
Employee benefits payable	V.16	**14,945,278**	21,275,667
Taxes payable	V.17	**12,071,587**	11,003,249
Other payables	V.18	**48,847,176**	12,445,942
Total current liabilities		**141,108,148**	303,494,406
Non-current liabilities:			
Long-term payables		**859,102**	840,584
Total non-current liabilities		**859,102**	840,584
Total liabilities		**141,967,250**	304,334,990
Shareholders' equity:			
Share capital	V.19	**358,000,000**	358,000,000
Capital reserve	V.20	**17,291,715**	17,291,715
Surplus reserve	V.21	**107,111,132**	107,111,132
Retained earnings	V.22	**1,228,885,980**	1,195,065,141
Total shareholders' equity		**1,711,288,827**	1,677,467,988
Total liabilities and shareholders' equity		**1,853,256,077**	1,981,802,978

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in Note V.18.

Balance Sheet-unaudited
As at 30 June 2018
(Expressed in Renminbi Yuan)

	Note	**30 June 2018**	31 December 2017
ASSETS			
Current assets:			
Cash at bank and on hand		**320,375,547**	57,533,223
Bills and accounts receivable	XIV.1	**115,145,916**	127,623,475
Prepayments		**2,161,510**	594,527
Other receivables	XIV.2	**166,488,056**	278,952,992
Inventories		**87,271,650**	131,916,525
Other current assets		**27,270,293**	41,289,336
Total current assets		**718,712,972**	637,910,078
Non-current assets:			
Long-term equity investments	XIV.3	**432,010,179**	434,907,677
Fixed assets		**149,877,206**	166,825,696
Intangible assets		**30,777,025**	31,274,167
Total non-current assets		**612,664,410**	633,007,540
Total assets		**1,331,377,382**	1,270,917,618

The notes on pages 14 to 109 form part of these financial statements.

	30 June 2018	31 December 2017
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Short-term loans	**20,000,000**	170,000,000
Bills and accounts payable	**22,369,849**	35,588,166
Advance payments received	**–**	1,520,786
Contract liabilities	**942,297**	–
Employee benefits payable	**1,615,408**	2,674,709
Taxes payable	**244,265**	233,581
Other payables	**465,278,820**	211,758,618
Total current liabilities	**510,450,639**	421,775,860
Total liabilities	**510,450,639**	421,775,860
Shareholders' equity:		
Share capital	**358,000,000**	358,000,000
Capital reserve	**43,534,413**	43,534,413
Surplus reserve	**107,111,132**	107,111,132
Retained earnings	**312,281,198**	340,496,213
Total shareholders' equity	**820,926,743**	849,141,758
Total liabilities and shareholders' equity	**1,331,377,382**	1,270,917,618

These financial statements were approved by the board of Directors of the Company on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Consolidated Income Statement-unaudited
For the six-month period ended 30 June 2018
(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June **2018**	2017
I	Operating income	V.23	**532,081,409**	394,608,242
II	Less: Operating costs	V.23	**398,286,709**	267,571,790
	Taxes and surcharges	V.24	**7,914,432**	9,392,874
	Selling and distribution expenses		**45,375,056**	32,389,775
	General and administrative expenses		**17,757,005**	16,113,142
	Research and development expenses		**773,170**	840,223
	Financial expenses	V.25	**(3,979,868)**	7,788,464
	Including: Interest expenses		**861,596**	7,524,714
	Interest income		**(161,676)**	(425,062)
	Impairment losses	V.26	**226,285**	2,590,133
	Credit losses	V.27	**29,903**	–
	Add: Other income	V.28	**2,107,400**	1,143,568
	Investment income	V.29	**2,629,215**	3,778,342
	Gains from changes in fair value	V.30	**–**	79,304
	Gains from asset disposals		**225,944**	2,440
III	Operating profit		**70,661,276**	62,925,495
	Add: Non-operating income		**6,448**	8,204
	Less: Non-operating expenses	V.31	**964,511**	20,346
IV	Profit before taxation		**69,703,213**	62,913,353
	Less: Income tax expenses	V.32	**82,374**	264,122
V	Net profit for the year and net profit attributable to shareholders of the Company		**69,620,839**	62,649,231
VI	Other comprehensive income, net of tax		**–**	(1,894,399)

The notes on pages 14 to 109 form part of these financial statements.

		Note	For the six-month period ended 30 June **2018**	 2017
VII	Total comprehensive income for the period and total comprehensive income attributable to shareholders of the Company		**69,620,839**	60,754,832
VIII	Earnings per share:			
	(1) Basic earnings per share	V.33	**0.194**	0.171
	(2) Diluted earnings per share	V.33	**0.194**	0.171

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Income Statement-unaudited

For the six-month period ended 30 June 2018

(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June 2018	2017
I	Operating income	XIV.4	**287,795,167**	248,233,656
II	Less: Operating costs	XIV.4	**258,633,171**	213,085,511
	Taxes and surcharges		**2,088,562**	1,351,552
	Selling and distribution expenses		**17,130,993**	18,287,764
	General and administrative expenses		**6,365,751**	4,102,551
	Research and development expenses		**773,170**	833,495
	Financial expenses		**(3,120,277)**	5,237,537
	Including: Interest expenses		**861,596**	2,801,876
	Interest income		**(155,111)**	(81,176)
	Impairment losses		**2,991,517**	1,951,085
	Credit losses		**29,903**	–
	Add: Other income		**2,069,000**	646,000
	Investment income	XIV.5	**2,629,215**	1,433,190
	Gains/(losses) from asset disposals		**186,600**	(697)
III	Operating profit		**7,787,192**	5,462,654
	Less: Non-operating expenses		**202,207**	–
IV	Profit before income tax		**7,584,985**	5,462,654
	Less: Income tax expenses		**–**	–
V	Net profit for the period		**7,584,985**	5,462,654
VI	Other comprehensive income, net of tax		**–**	(1,894,399)
VII	Total comprehensive income for the period		**7,584,985**	3,568,255

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Consolidated Cash Flow Statement-unaudited
For the six-month period ended 30 June 2018
(Expressed in Renminbi Yuan)

		Note	For the six-month period ended 30 June 2018	2017
I	Cash flows from operating activities:			
	Proceeds from sale of goods and rendering of services		**604,943,027**	457,533,167
	Refund of taxes		**43,621,339**	35,065,228
	Proceeds from other operating activities		**4,679,858**	3,661,670
	Sub-total of cash inflows		**653,244,224**	496,260,065
	Payments for goods and services		**(149,921,755)**	(70,168,279)
	Payments to and for employees		**(25,457,100)**	(25,029,839)
	Payments of various taxes		**(25,424,642)**	(33,111,453)
	Payments for other operating activities		**(52,817,813)**	(37,815,475)
	Sub-total of cash outflows		**(253,621,310)**	(166,125,046)
	Net cash inflow from operating activities	V.35(1)	**399,622,914**	330,135,019
II	Cash flows from investing activities:			
	Proceeds from disposal of financial assets		**1,403,800,000**	1,109,678,127
	Investment returns received		**2,629,215**	3,778,342
	Net proceeds from disposal of fixed assets		**377,225**	30,678
	Proceeds from disposal of equity interests of a subsidiary and joint venture		**40,280,000**	–
	Proceeds from other investing activities		**161,676**	88,527
	Sub-total of cash inflows		**1,447,248,116**	1,113,575,674
	Payments for acquisition of financial assets		**(1,403,800,000)**	(1,075,868,247)
	Payments for acquisition of fixed assets, construction in progress and intangible assets		**(33,315,316)**	(6,881,356)
	Sub-total of cash outflows		**(1,437,115,316)**	(1,082,749,603)
	Net cash inflow from investing activities		**10,132,800**	30,826,071

The notes on pages 14 to 109 form part of these financial statements.

		Note	For the six-month period ended 30 June **2018**	 2017
III	Cash flows from financing activities:			
	Proceeds from borrowings		**20,000,000**	90,000,000
	Proceeds from other financing activities		**1,825,000**	–
	Sub-total of cash inflows		**21,825,000**	90,000,000
	Repayments of borrowings		**(170,000,000)**	(346,393,660)
	Payments for interest		**(1,455,130)**	(5,062,598)
	Payments for purchase of own shares		**–**	(39,744,040)
	Sub-total of cash outflows		**(171,455,130)**	(391,200,298)
	Net cash outflow from financing activities		**(149,630,130)**	(301,200,298)
IV	Effect of foreign currency exchange rate changes on cash and cash equivalents		**4,555,557**	(2,530,579)
V	Net increase in cash and cash equivalents	V.35(1)	**264,681,141**	57,230,213
	Add: Cash and cash equivalents at the beginning of the period		**79,398,474**	110,178,784
VI	Cash and cash equivalents at the end of the period	V.35(2)	**344,079,615**	167,408,997

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Cash Flow Statement-unaudited
For the six-month period ended 30 June 2018
(Expressed in Renminbi Yuan)

		For the six-month period ended 30 June	
		2018	2017
I	Cash flows from operating activities:		
	Proceeds from sale of goods	**304,456,540**	282,138,112
	Refund of taxes	**29,116,297**	27,193,477
	Proceeds from other operating activities	**5,934,057**	4,881,148
	Sub-total of cash inflows	**339,506,894**	314,212,737
	Payments for goods and services	**(14,039,398)**	(130,836,034)
	Payments to and for employees	**(7,473,388)**	(8,430,020)
	Payments of various taxes	**(2,077,878)**	(1,389,994)
	Payments for other operating activities	**(21,420,456)**	(23,591,111)
	Sub-total of cash outflows	**(45,011,120)**	(164,247,159)
	Net cash inflow from operating activities	**294,495,774**	149,965,578
II	Cash flows from investing activities:		
	Proceeds from disposal of financial assets	**1,403,800,000**	642,597,384
	Investment returns received	**30,629,215**	1,433,190
	Net proceeds from disposal of fixed assets	**257,933**	3,922
	Proceeds from disposal of equity interests of a joint venture	**19,080,000**	–
	Proceeds from other investing activities	**65,253,577**	179,242,346
	Sub-total of cash inflows	**1,519,020,725**	823,276,842
	Payments for acquisition of financial assets	**(1,403,800,000)**	(616,700,000)
	Payments for acquisition of fixed assets, construction in progress and intangible assets	**(218,808)**	(2,577,872)
	Sub-total of cash outflows	**(1,404,018,808)**	(619,277,872)
	Net cash inflow from investing activities	**115,001,917**	203,998,970

The notes on pages 14 to 109 form part of these financial statements.

		For the six-month period ended 30 June	
		2018	2017
III	Cash flows from financing activities:		
	Proceeds from borrowings	**–**	90,000,000
	Other cash related funds received	**1,825,000**	–
	Sub-total of cash inflows	**1,825,000**	90,000,000
	Repayments of borrowings	**(150,000,000)**	(346,393,660)
	Payments for interest	**(1,455,130)**	(5,062,598)
	Payments for purchase of own shares	**–**	(39,744,040)
	Sub-total of cash outflows	**(151,455,130)**	(391,200,298)
	Net cash outflow from financing activities	**(149,630,130)**	(301,200,298)
IV	Effect of foreign currency exchange rate changes on cash and cash equivalents	**2,974,763**	(2,193,573)
V	Net increase in cash and cash equivalents	**262,842,324**	50,570,677
	Add: Cash and cash equivalents at the beginning of the period	**57,533,223**	84,468,206
VI	Cash and cash equivalents at the end of the period	**320,375,547**	135,038,883

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements

Consolidated Statement of Changes in Shareholders' Equity-unaudited
For the six-month period ended 30 June 2018
(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2017	368,000,000	47,035,755	2,041,764	105,794,859	1,128,356,191	1,651,228,569
Changes in equity for the period						
1. Total comprehensive income	–	–	(1,894,399)	–	62,649,231	60,754,832
2. Appropriation of profits						
– Distributions to shareholders	–	–	–	–	(18,400,000)	(18,400,000)
3. Purchase of own shares	(10,000,000)	(29,744,040)	–	–	–	(39,744,040)
Balance at 30 June 2017	358,000,000	17,291,715	147,365	105,794,859	1,172,605,422	1,653,839,361
Balance at 1 January 2018	**358,000,000**	**17,291,715**	**-**	**107,111,132**	**1,195,065,141**	**1,677,467,988**
Changes in equity for the period						
1. Total comprehensive income	**-**	**-**	**-**	**-**	**69,620,839**	**69,620,839**
2. Appropriation of profits						
– Distributions to shareholders	**-**	**-**	**-**	**-**	**(35,800,000)**	**(35,800,000)**
Balance at 30 June 2018	**358,000,000**	**17,291,715**	**-**	**107,111,132**	**1,228,885,980**	**1,711,288,827**

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Statement of Changes in Shareholders' Equity-unaudited

For the six-month period ended 30 June 2018

(Expressed in Renminbi Yuan)

	Share capital	Capital reserve	Other comprehensive income	Surplus reserve	Retained earnings	Total
Balance at 1 January 2017	368,000,000	73,278,453	2,041,764	105,794,859	347,049,764	896,164,840
Changes in equity for the period						
1. Total comprehensive income	–	–	(1,894,399)	–	5,462,654	3,568,255
2. Appropriation of profits						
– Distributions to shareholders	–	–	–	–	(18,400,000)	(18,400,000)
3. Purchase of own shares	(10,000,000)	(29,744,040)	–	–	–	(39,744,040)
Balance at 30 June 2017	358,000,000	43,534,413	147,365	105,794,859	334,112,418	841,589,055
Balance at 1 January 2018	**358,000,000**	**43,534,413**	**-**	**107,111,132**	**340,496,213**	**849,141,758**
Changes in equity for the period						
1. Total comprehensive income	**-**	**-**	**-**	**-**	**7,584,985**	**7,584,985**
2. Appropriation of profits						
– Distributions to shareholders	**-**	**-**	**-**	**-**	**(35,800,000)**	**(35,800,000)**
Balance at 30 June 2018	**358,000,000**	**43,534,413**	**-**	**107,111,132**	**312,281,198**	**820,926,743**

Approved and authorised for issue by the board of directors on 29 August 2018.

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

Chief Accountant: Li Lei   (Company stamp)

The notes on pages 14 to 109 form part of these financial statements.

Notes to the financial statements

(Expressed in Renminbi Yuan unless otherwise indicated)

I. Company status

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

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

II. Basis of preparation

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

III. Significant accounting policies and accounting estimates

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

1 Statement of compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) and present truly and completely the consolidated and the Company's financial position of the Company as at 30 June 2018, and the consolidated and the Company's financial performance and the consolidated and the Company's cash flows for the six-month period ended 30 June 2018.

2 Accounting period

The accounting period is from 1 January to 31 December.

3 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III.7.

III. Significant accounting policies and accounting estimates (continued)

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

(1) Business combinations involving entities under common control

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

(2) Business combinations involving entities not under common control

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

III. Significant accounting policies and accounting estimates (continued)

5 Consolidated financial statements

(1) General principles

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

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

(2) Subsidiaries acquired through a business combination

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

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

(3) Disposal of subsidiaries

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

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

7 Foreign currency transactions and translation of foreign currency financial statements

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

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the construction of qualifying assets (see Note III.13). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from 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, investments in equity securities other than those classified as long-term equity investment (see Note III.10), receivables, payables, loans and borrowings and share capital.

Upon the adoption of CAS No.22, Financial Instruments: Recognition and Measurement (Revised), CAS No.23, Transfer of Financial Assets (Revised), CAS No.24, Hedge Accounting (Revised) and CAS No.37, Presentation and Disclosures of Financial Instruments (Revised) on 1 January 2018, the Group has adjusted the cumulative effect of financial instrument that were exist at 1 January 2018 to the opening balance of retained earnings and the amount of other relevant items in the financial statements at 1 January 2018, and comparative information has not been restated. As a result, the accounting policies of financial instruments are different before and after 1 January 2018. The details are as below,

Before 1 January 2018

(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:

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

Before 1 January 2018 (continued)

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

– Financial assets at fair value through profit or loss (Including financial assets held for trading)

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

– 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.

– 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 other comprehensive income 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.19(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)

Before 1 January 2018 (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)

Before 1 January 2018 (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 reorganization;

(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.

The impairment of accounts receivable is measured as follows:

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 not having been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

Before 1 January 2018 (continued)

(4) Impairment of financial assets (continued)

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 at the date the impairment is reversed.

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.

(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 recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

Before 1 January 2018 (continued)

(5) Equity instrument (continued)

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

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

After 1 January 2018

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

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

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

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

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

(a) Classification of financial assets (continued)

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

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

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

(a) Classification of financial assets (continued)

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

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

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

– Financial assets at amortised cost

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

– Debt investments at FVOCI

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

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

(b) Subsequent measurement of financial assets (continued)

– Equity investments at FVOCI

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

(3) Classification and subsequent measurement of financial liabilities

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

– Financial liabilities at FVTPL

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

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

– Financial liabilities at amortised cost

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

(4) Offsetting

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

(5) Derecognition of financial assets and financial liabilities

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

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

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

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

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

(6) Impairment

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

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

Financial assets measured at fair value, including debt investments or equity securities at FVPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

(6) Impairment (continued)

Measurement of ECLs

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

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

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

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

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

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

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

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

Financial instruments that have low credit risk

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

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

8 Financial instruments (continued)

After 1 January 2018 (continued)

(6) Impairment (continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

(6) Impairment (continued)

Credit-impaired financial assets

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

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

Presentation of allowance for ECL

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

III. Significant accounting policies and accounting estimates (continued)

8 Financial instruments (continued)

After 1 January 2018 (continued)

(6) Impairment (continued)

Write-off

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

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

(7) Equity instrument

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

9 Inventories

(1) Classification and cost

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

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

(2) Measurement method of cost of inventories

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

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

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

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

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

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

(4) Inventory count system

The Group maintains a perpetual inventory system.

III. Significant accounting policies and accounting estimates (continued)

10 Long-term equity investments

(1) Investment cost of long-term equity investments

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

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

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

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

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

(2) Subsequent measurement of long-term equity investment

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

11 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.12

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

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

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

(2) Depreciation of fixed assets

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

11 Fixed assets (continued)

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

(4) For the recognition, measurement and depreciation of fixed assets acquired under finance leases, refer to Note III.24 (3).

(5) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

– when the fixed asset is holding for disposal; or

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

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

12 Construction in progress

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

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

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

III. Significant accounting policies and accounting estimates (continued)

13 Borrowing costs

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

14 Intangible assets

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

The amortisation period for intangible assets is as follows:

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

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

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

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

15 Goodwill

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

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

III. Significant accounting policies and accounting estimates (continued)

16 Impairment of assets other than inventories and financial assets

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

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

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

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

17 Fair value measurement

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

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

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

18 Provisions

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

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition

Upon the adoption of CAS No.14, Revenue (Revised) on 1 January 2018, the Group has recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements at 1 January 2018, and comparative information has not been restated. As a result, the accounting policies of revenue recognition are different before and after 1 January 2018. The details are as below:

Before 1 January 2018

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.

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition (continued)

Before 1 January 2018 (continued)

(3) Interest income

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

After 1 January 2018

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

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

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

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

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition (continued)

After 1 January 2018 (continued)

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

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

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

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

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

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

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

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

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

– the customer has accepted the goods or services.

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

III. Significant accounting policies and accounting estimates (continued)

19 Revenue recognition (continued)

After 1 January 2018 (continued)

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

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

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

20 Contract costs

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

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

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

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

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

– the costs are expected to be recovered.

III. Significant accounting policies and accounting estimates (continued)

20 Contract costs (continued)

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

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

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

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

21 Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or 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.

III. Significant accounting policies and accounting estimates (continued)

21 Employee benefits (continued)

(3) Termination benefits

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

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

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

22 Government grants

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

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

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

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.

Pursuant to the Accounting Standards for revised Accounting Standards for Business Enterprises No. 16 – Government Grants ("**CAS 16 (2017)**") which came into effect on 12 June 2017, Government grants that exist on 1 January 2017 shall be dealt with by the Group according to the prospective application method, and government grants that are newly added from 1 January 2017 to the date of effectiveness of these Standards shall be adjusted according to these Standards. Therefore, the difference between the Group's accounting policies about government grants before 1 January 2017 and after 1 January 2017 is as follows:

III. Significant accounting policies and accounting estimates (continued)

22 Government grants (continued)

Grants related to assets shall be recognized as deferred income in the balance sheet by the Group before 1 January 2017, and evenly amortized to profit or loss over the useful life of the related 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.

Grants related to assets shall be used to offset the book value of relevant assets by the Group after 1 January 2017. A grant that compensates the Group for expenses to be incurred in the future is recognised initially as deferred income, and released to the other income or non-operating income in the periods in which the expenses are recognised. A grant that compensates the Group for expenses already incurred is recognised in profit or loss, or recorded in the other income or non-operating income.

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

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

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

23 Income tax

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

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

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.

III. Significant accounting policies and accounting estimates (continued)

23 Income tax (continued)

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

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

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

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

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

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

24 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.

III. Significant accounting policies and accounting estimates (continued)

24 Operating leases and finance leases (continued)

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

(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.11 (2) and III.16, 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.13).

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.

25 Profit distributions

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

26 Related parties

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

III. Significant accounting policies and accounting estimates (continued)

27 Segment reporting

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

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

28 Significant accounting estimates and judgments

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

Note V.10 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

  Before 1 January 2018, 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.

  After 1 January 2018, the Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.Therefore, where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and loss for the impairment of receivables recognised in the period in which such estimates have been changed.

III. Significant accounting policies and accounting estimates (continued)

28 Significant accounting estimates and judgments (continued)

– Provision for impairment of inventories

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

– Impairment of assets other than inventories and financial assets

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

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

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

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

– Income tax

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

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates

Changes in accounting policies

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

The MOF issued the following revised accounting standards and interpretations in 2017 and 2018:

– CAS No.14 – Revenue (Revised) (the "**new revenue standard**")

– CAS No.22 – Financial Instruments: Recognition and Measurement (Revised), CAS No.23 – Transfer of Financial Assets (Revised), CAS No.24 – Hedge Accounting (Revised) and CAS No.37 – Presentation and Disclosures of Financial Instruments (Revised) (collectively the "**new financial instruments standards**")

– Notice on Revision of the 2018 Illustrative Financial Statements (Caikuai [2018] No.15)

The Group has applied the above revised accounting standards and interpretations from 1 January 2018 and adjusted the related accounting policies.

In addition, according to the Notice of the Ministry of Finance and the State Administration of Taxation on applying verified deduction of input VAT among experimental industries, experimental enterprise who purchase agricultural products as raw materials to produce goods are subjected to verified deduction of input VAT, instead of deducting by VAT certificate. In order to simplify cost calculation, the Group used the verified deductible input VAT to deduct operating costs for the current period, instead of deducting production cost from 1 January 2018.

(b) Major impact of changes in accounting policies

(i) New revenue standard

The new revenue standard replaces CAS No.14 – Revenue and CAS No.15 – Construction Contracts issued by the MOF in 2006 (the "**old revenue standard**").

Under old revenue standard, the Group recognised revenue when the risks and rewards had passed to the customers. The Group's revenue from sales of goods was recognised when the following conditions were met: the significant risks and rewards of ownership of the goods had been transferred to the customer, the amount of revenue and related costs could be reliably measured, the relevant economic benefits would probably flow to the Group and the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and revenue from construction contracts were recognised by reference to the stage of completion of the transaction at the balance sheet date.

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

29 Changes in significant accounting policies and accounting estimates (continued)

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

(i) New revenue standard (continued)

Under new revenue standard, revenue is recognised when the customer obtains control of the promised goods or services in the contract:

- Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers. The Group satisfies a performance obligation over time if certain criteria is met; or otherwise, a performance obligation is satisfied at a point in time. Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term.

- The Group have adjusted the relevant accounting policies in accordance with the specific provisions on specific matters or transactions under new revenue standard, such as contract costs, advance receipts, etc.

- Under new revenue standard, the Group presents a contract asset or a contract liability in the balance sheet based on the relationship between the Group's performance and the customer's payment. At the same time, the Group provides more disclosures on revenue and related information based on the disclosure requirements under new revenue standard, such as relevant accounting policies, information of contracts with customers, etc.

There are no significant cumulative effects of initial application of new revenue standard. As a result, the Group has not recognised the adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statement at 1 January 2018, and comparative information has not been restated.

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

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

(ii) New financial instruments standards

The new financial instruments standards revise CAS No.22 – Financial instruments: Recognition and measurement, CAS No.23 – Transfer of Financial assets and CAS No.24 – Hedging issued by the MOF in 2006 and CAS No.37 – Presentation and Disclosures of Financial Instruments (collecting the "**old financial instruments standards**").

The new financial instruments standards contain three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under the new financial instruments standards is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The new financial instruments standards cancel the previous categories of held to maturity investments, loans and receivables and available for sale financial assets under the old financial instruments standards. Under the new financial instruments standards, derivatives embedded in contracts where the host is a financial asset are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of new financial instruments standards have not had a significant effect on the Group's accounting policies for financial liabilities.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

The new financial instruments standards replace the "incurred loss" model in the old financial instruments standards with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in the old financial instruments standards.

The Group applies the new ECL model to financial assets measured at amortised cost; not apply to investments in equity instruments.

There are no significant cumulative effects of initial application of new financial instruments standards. As a result, the Group has not recognised the adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statement at 1 January 2018, and comparative information has not been restated.

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

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

(iii) Changes in cost carry forward method of verified deduction of input VAT

Baishui Andre Juice Co., Ltd. and Yongji Andre Juice Co., Ltd., subsidiaries of the Group, applied the verified deduction of input VAT from January 2014 and December 2014, respectively. Under applying the verified deduction of input VAT which approved by the local tax bureau, the cost of purchase of agricultural products comprise input VAT. Before 1 January 2018, the Group deducted the approved verified deductible input VAT amount from the production cost of agricultural products used for production, with any balances used for cost calculation or carried forward, which would affect the operating costs for the current period and the period-end inventory; after 1 January 2018, in order to simplify cost calculation, the Group directly deducted the approved verified deductible input VAT amount from the operating costs for the current period.

The Group has adjusted relevant items in the comparative financial statement retrospectively. Changes in cost carry forward method of verified deduction of input VAT have the following impact on the consolidated financial statements. For the impact on comparative financial statements, refer to Note III.29(d).

– The effects on the consolidated income statement for the six-month period ended 30 June 2018 are analysed as follows:

	Effect Amount increase/(decrease)
	The Group
Operating costs	9,266,995
Profit before income tax	(9,266,995)
Less: Income tax expenses	–
Net profit and net profit attributable to shareholders of the Company for the period	(9,266,995)
Total comprehensive income for the period and total comprehensive income attributable to shareholders of the Company	(9,266,995)

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

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

(iii) Changes in cost carry forward method of verified deduction of input VAT (continued)

– The effects on the consolidated balance sheet for the period ended 30 June 2018 are analysed as follows:

	Effect Amount increase
	The Group
Assets:	
Inventories	6,728,759
Shareholders' equity:	
Retained earnings	6,728,759

The adoption of above accounting standards have not had an effect on the Company's income statement for the six-month period ended 30 June 2018 and balance sheet as at 30 June 2018.

(iv) Presentation of financial statements

The Group has prepared financial statements for the year ended 31 December 2018 in accordance with the presentation format of the financial statements specified in Caikuai [2018] No.15. The Group has applied the new presentation requirements retrospectively.

The following table provide the effect of adjustments:

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at 31 December 2017:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Bills receivable	9,003,656	(9,003,656)	–
Accounts receivable	192,554,256	(192,554,256)	–
Bills and accounts receivable	–	201,557,912	201,557,912
Interest payable	643,783	(643,783)	–
Other payables	11,802,159	643,783	12,445,942
Total		–	

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

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

(iv) Presentation of financial statements (continued)

	The Company		
	Before adjustment	**Adjustment**	**After adjustment**
Bills receivable	6,026,975	(6,026,975)	–
Accounts receivable	121,596,500	(121,596,500)	–
Bills and accounts receivable	–	127,623,475	127,623,475
Dividends receivable	53,699,658	(53,699,658)	–
Other receivables	225,253,334	53,699,658	278,952,992
Interest payable	643,783	(643,783)	–
Other payables	211,114,835	643,783	211,758,618
Total		–	

Affected income and expenses items in the consolidated income statement and company income statement for the period ended 30 June 2017:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
General and administrative expenses	16,953,365	(840,223)	16,113,142
Research and development expenses	–	840,223	840,223
Total		–	

	The Company		
	Before adjustment	**Adjustment**	**After adjustment**
General and administrative expenses	4,936,046	(833,495)	4,102,551
Research and development expenses	–	833,495	833,495
Total		–	

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

(c) Based on the Group's comparative figures retrospectively adjusted in accordance with Caikuai [2018] No.15 (Note III.29(b)(iv), the changes of accounting policy in Note III.29(b)(i)-(ii) which are not applied retrospectively have the following impact on the consolidated balance sheet and company balance sheet as at 1 January 2018:

	The Group					
	Carrying amount at 1 January 2018 before adjustment	Reclassification		Remeasurement		Carrying amount at 1 January 2018 after adjustment
		Effect of new revenue standard	Effect of new financial instruments standards	Effect of new revenue standard	Effect of new financial instruments standards	
Liabilities:						
Advance payments received	2,399,933	(2,399,933)	–	–	–	–
Contract liabilities	–	2,399,933	–	–	–	2,399,933

	The Company					
	Carrying amount at 1 January 2018 before adjustment	Reclassification		Remeasurement		Carrying amount at 1 January 2018 after adjustment
		Effect of new revenue standard	Effect of new financial instruments standards	Effect of new revenue standard	Effect of new financial instruments standards	
Liabilities:						
Advance payments received	1,520,786	(1,520,786)	–	–	–	–
Contract liabilities	–	1,520,786	–	–	–	1,520,786

III. Significant accounting policies and accounting estimates (continued)

29 Changes in significant accounting policies and accounting estimates (continued)

(d) Impact of changes in accounting policies on comparative financial statements

(i) The effects on the consolidated income statement for the six-month period ended 30 June 2017 and the effect on the shareholders' equity at the beginning and end of 2017 are analysed as follows:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Shareholders' equity at the beginning of 2017	1,625,691,180	25,537,389	1,651,228,569
Net profit for the six month period ended 30 June 2017	63,081,623	(432,392)	62,649,231
Shareholders' equity at the end of 2017	1,661,472,234	15,995,754	1,677,467,988

(ii) Affected assets and liabilities items in the consolidated balance sheet as at 31 December 2017:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Inventories	755,014,086	15,995,754	771,009,840

(iii) Affected income and expenses items in the consolidated income statement for the six month period ended 30 June 2017:

	The Group		
	Before adjustment	**Adjustment**	**After adjustment**
Operating costs	267,139,398	432,392	267,571,790

The adoption of above accounting standards have not had an effect on the Company's income statement for the six-month period ended 30 June 2017 and balance sheet as at 31 December 2017.

IV. Taxation

1 Main types of taxes and corresponding tax rates

Tax type	Tax basis	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	10%, 11%, 13%, 16%, 17%
City maintenance and construction tax	Based on business tax and VAT paid	1%, 5%, 7%
Enterprise income tax	Based on taxable profits	15%, 25%

Note: According to the Notice on Policies Related to the Consolidation of VAT Rates (Cai Shui [2017] No.32), VAT rates of 13% was canceled from 1 July, 2017. From that day, the taxable business which applied to VAT rate of 13% was changed to 11%.

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

2 Tax preferential benefit

The Company and other domestic subsidiaries are subject to income tax rate 25% during the six-month period ended 30 June 2018 (2017: 25%) except for the following subsidiaries and the overseas subsidiaries of the Company which were taxed at the local applicable income tax rates.

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

(b) During the six-month period ended 30 June 2018, the produce and sale of fruit juice by Yantai North Andre Juice Co., Ltd. and the produce and sale of fruit juice and bio-stuff by Baishui Andre Juice Co., Ltd., Xuzhou Andre Juice Co., Ltd., Yantai Longkou Andre Juice Co., Ltd., Dalian Andre Juice Co., Ltd., Yongji Andre Juice Co., Ltd., Liquan Yitong Juice Co., Ltd, and Anyue Andre Lemon Industry Technology Co., Ltd. are exempt from the PRC income tax.

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	30 June 2018	31 December 2017
Cash on hand	**83,062**	127,396
Deposits with banks	**343,996,553**	79,271,078
Total	**344,079,615**	79,398,474

As at 30 June 2018 and 31 December 2017, there are no bank deposits with restrictions placed on the Group's ownership.

2 Bills and accounts receivable

Item	Notes	30 June 2018	31 December 2017
Bills receivable	(1)	**2,145,550**	9,003,656
Accounts receivable	(2)	**180,724,694**	192,554,256
Total		**182,870,244**	201,557,912

(1) Bills receivable

Classification of bills receivable

Item	30 June 2018	31 December 2017
Bank acceptance bills	**2,145,550**	9,003,656

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

As at 30 June 2018 and 31 December 2017, the Group did not hold any undue bills that has been endorsed or discounted (with right of recourse) any undue bills.

V. Notes to the consolidated financial statements (continued)

2 Bills and accounts receivable (continued)

(2) Accounts receivable

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

Type	**30 June 2018**	31 December 2017
Related Parties	**4,944,254**	6,159,381
Third Parties	**180,876,605**	191,461,137
Sub-total	**185,820,859**	197,620,518
Less: Provision for bad and doubtful debts	**5,096,165**	5,066,262
Total	**180,724,694**	192,554,256

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

Ageing	**30 June 2018**	31 December 2017
Within 6 months (inclusive)	**185,819,836**	182,193,438
Over 6 months but within 1 year (inclusive)	**–**	15,407,438
Over 1 year but within 2 years (inclusive)	**1,023**	19,642
Sub-total	**185,820,859**	197,620,518
Less: Provision for bad and doubtful debts	**5,096,165**	5,066,262
Total	**180,724,694**	192,554,256

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

V. Notes to the consolidated financial statements (continued)

3 Prepayments

(1) Prepayments by type are as follows:

Type	30 June 2018	31 December 2017
Third Parties	**5,537,535**	3,081,104
Less: Provision for bad and doubtful debts	**–**	–
Total	**5,537,535**	3,081,104

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

Ageing	30 June 2018		31 December 2017	
	Amount	**Percentage(%)**	Amount	Percentage(%)
Within 1 year (inclusive)	**5,537,535**	**100%**	3,081,104	100%

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

4 Other receivables

Item	Notes	30 June 2018	31 December 2017
Dividends receivable		**–**	–
Interest receivable		**–**	–
Other	(1)	**1,247,431**	42,047,494
Total		**1,247,431**	42,047,494

As at 30 June 2018 and 31 December 2017, the Group did not hold any other receivables which were denominated in foreign currency.

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

4 Other receivables (continued)

(1) Others

(a) Other receivables by client are as follows:

Type	**30 June 2018**	31 December 2017
Related parties	**11,154**	801,363
Third parties	**1,236,277**	41,246,131
Sub-total	**1,247,431**	42,047,494
Less: Provision for bad and doubtful debts	**–**	–
Total	**1,247,431**	42,047,494

As at 31 December 2017, the balance of the Group's other receivables comprises mainly outstanding consideration relating to the disposal of 100% shares of Binzhou Andre Juice Co., Ltd., which amounted to RMB40,280,000. According to the share transfer agreement, the receivables were settled in February 2018 and June 2018 respectively.

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

Ageing	**30 June 2018**	31 December 2017
Within 1 year (inclusive)	**1,224,431**	41,924,494
Over 1 year but within 2 years (inclusive)	**–**	123,000
Over 2 year but within 3 years (inclusive)	**23,000**	–
Sub-total	**1,247,431**	42,047,494
Less: Provision for bad and doubtful debts	**–**	–
Total	**1,247,431**	42,047,494

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

V. Notes to the consolidated financial statements (continued)

4 Other receivables (continued)

(1) Others (continued)

(c) Additions, recoveries or reversals of provision for bad and doubtful debts during the period/year:

	30 June 2018	31 December 2017
Balance at the beginning of the period/year	**–**	4,132,565
Written-off during the period/year	**–**	(4,132,565)
Balance at the end of the period/year	**–**	–

5 Inventories

(1) Inventories by category are as follows:

Item	**30 June 2018 Book value**	**30 June 2018 Provision for impairment of inventories**	**30 June 2018 Carrying amount**	31 December 2017 Book value	31 December 2017 Provision for impairment of inventories	31 December 2017 Carrying amount
Raw materials and packaging materials	**35,707,455**	**–**	**35,707,455**	32,033,062	–	32,033,062
Work in progress	**32,786,874**	**–**	**32,786,874**	–	–	–
Finished goods	**379,737,713**	**(3,898,901)**	**375,838,812**	742,649,394	(3,672,616)	738,976,778
Total	**448,232,042**	**(3,898,901)**	**444,333,141**	774,682,456	(3,672,616)	771,009,840

As at 30 June 2018 and 31 December 2017, no inventories were pledged as security by the Group.

5 Inventories (continued)

(2) An analysis of the movements of inventories for the period/year 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	32,033,062	51,655,608	47,981,215	35,707,455
Work in progress	–	69,112,443	36,325,569	32,786,874
Finished goods	742,649,394	54,106,338	417,018,019	379,737,713
Sub-total	774,682,456	174,874,389	501,324,803	448,232,042
Less: Provision for impairment of inventories	3,672,616	229,970	3,685	3,898,901
Total	771,009,840	174,644,419	501,321,118	444,333,141

(3) Provision for impairment of inventories

Item	Balance at the beginning of the period	Additions during the period	Written back during the period		Balance at the end of the period
			Reversals	Written-off	
Finished goods	3,672,616	229,970	(3,685)	–	3,898,901

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

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

6 Other current assets

Item	**30 June 2018**	31 December 2017
Input VAT recoverable	**31,277,692**	51,194,764
Prepaid income tax	**153,856**	153,856
Total	**31,431,548**	51,348,620

V. Notes to the consolidated financial statements (continued)

7 Fixed assets

(1) Fixed assets

Item	Plant & buildings	Machinery & equipment	Office & other equipment	Motor vehicles	Total
Cost					
At 1 January 2018	539,839,107	896,401,476	22,316,364	9,058,448	1,467,615,395
Additions during the period					
– Purchases	15,527,946	2,130,643	864,424	1,611,897	20,134,910
– Transfers from construction in progress	–	–	120,000	–	120,000
Reductions during the period					
– Disposals	–	(84,259)	(50,685)	(865,990)	(1,000,934)
– Transfers to construction in progress	–	(50,259,261)	–	–	(50,259,261)
– Transfers to spare parts	–	(48,291)	(29,010)	–	(77,301)
At 30 June 2018	555,367,053	848,140,308	23,221,093	9,804,355	1,436,532,809
Accumulated depreciation					
At 1 January 2018	(145,995,731)	(525,665,918)	(17,716,329)	(7,395,823)	(696,773,801)
Charge for the period	(5,663,153)	(14,596,412)	(494,354)	(114,488)	(20,868,407)
Reductions during the period					
– Disposals	–	24,646	45,616	779,391	849,653
– Transfers to construction in progress	–	37,519,501	–	–	37,519,501
– Transfers to spare parts	–	24,355	22,521	–	46,876
At 30 June 2018	(151,658,884)	(502,693,828)	(18,142,546)	(6,730,920)	(679,226,178)
Provision for impairment					
At 1 January 2018	(16,731,276)	(15,687,811)	–	–	(32,419,087)
At 30 June 2018	(16,731,276)	(15,687,811)	–	–	(32,419,087)
Carrying amounts					
At 30 June 2018	386,976,893	329,758,669	5,078,547	3,073,435	724,887,544
At 1 January 2018	377,112,100	355,047,747	4,600,035	1,662,625	738,422,507

As at 30 June 2018 and 31 December 2017, there are no fixed assets with restrictions placed on the Group's ownership.

V. Notes to the consolidated financial statements (continued)

7 Fixed assets (continued)

(2) Temporarily idle fixed assets

As at 30 June 2018 and 31 December 2017, the Group's temporarily idle fixed assets are as follows:

At 30 June 2018

Item	**Cost**	**Accumulated depreciation**	**Provision for impairment**	**Carrying amount**
Lemon processing line, accessory equipment and building	**115,243,116**	**(24,582,693)**	**(31,885,946)**	**58,774,477**
Preserved fruit production line	**1,249,834**	**(644,064)**	**(480,787)**	**124,983**
Total	**116,492,950**	**(25,226,757)**	**(32,366,733)**	**58,899,460**

At 31 December 2017

Item	Cost	Accumulated depreciation	Provision for impairment	Carrying amount
Lemon processing line, accessory equipment and building	115,633,195	(23,387,795)	(31,938,300)	60,307,100
Preserved fruit production line	1,249,834	(644,064)	(480,787)	124,983
Total	116,883,029	(24,031,859)	(32,419,087)	60,432,083

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

The Group evaluates the recoverable amount of the asset group and reduces the carrying amount to its recoverable amount of RMB60,307,100. The recoverable amount is determined by the amount of fair value less costs to sell of the asset group. The fair value is calculated using the cost method with reference to the full cost to re-establish the same or similar assets at the current price valuation date (i.e. 31 December 2017), after deducting the physical devaluation, functional devaluation and economic devaluation.

V. Notes to the consolidated financial statements (continued)

7 Fixed assets (continued)

(3) Fixed assets acquired under finance leases

As at 30 June 2018 and 31 December 2017, no fixed assets were acquired under finance leases.

(4) Fixed assets leased out under operating leases

As at 30 June 2018 and 31 December 2017, the carrying value of the fixed assets leased out by the Group under operating leases was RMB20,325,533 (2017: RMB23,254,119), including two office buildings, several commercial retail stores and an apartment building, located in Muping Economic Development Zone, Yantai.

(5) Fixed assets pending certificates of ownership

As at 30 June 2018 and 31 December 2017, the Group's fixed assets with pending certificates of ownership is as follows:

Item	**30 June 2018 Carrying amount**	31 December 2017 Carrying amount	**Reason why certificates of ownership are pending**
Buildings of Liquan Yitong Juice Co.,Ltd.	**50,696,961**	51,331,130	The certificates have not been dealt with due to historical reasons
Buildings of Anyue Andre Lemon Industry Technology Co., Ltd	**5,179,204**	5,243,453	The Fixed asset has not reached acceptance criteria

V. Notes to the consolidated financial statements (continued)

8 Construction in progress

(1) Construction in progress

Project	30 June 2018 Book value	30 June 2018 Provision for impairment	30 June 2018 Carrying amount	31 December 2017 Book value	31 December 2017 Provision for impairment	31 December 2017 Carrying amount
Plant expansion project of Yongji	**19,914,046**	**–**	**19,914,046**	–	–	–
Boiler installation of Liquan	**1,545,600**	**–**	**1,545,600**	–	–	–
Boiler online monitoring project	**–**	**–**	**–**	120,000	–	120,000
Other	**938,229**	**–**	**938,229**	1,660	–	1,660
Total	**22,397,875**	**–**	**22,397,875**	121,660	–	121,660

As at 30 June 2018 and 31 December 2017, no interest was capitalized in construction in progress of the Group.

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

Project	Budget	At 1 January 2018	Transfers from fixed assets	Additions during the period	Transfers to fixed assets	At 30 June 2018	Percentage of actual cost to budget(%)	Project process	Sources of funds
Plant expansion project of Yongji	32,492,543	–	12,739,760	7,174,286	–	19,914,046	61%	61%	Self-funded
Boiler installation of Liquan	2,576,000	–	–	1,545,600	–	1,545,600	60%	60%	Self-funded
Total	35,068,543	–	12,739,760	8,719,886	–	21,459,646			

V. Notes to the consolidated financial statements (continued)

9 Intangible assets

Item	Land use right
Cost	
At 1 January 2018	113,636,944
Additions during the period	
– Purchases	2,901,039
At 30 June 2018	116,537,983
Accumulated amortization	
At 1 January 2018	(24,408,553)
Charge for the period	(1,245,262)
At 30 June 2018	(25,653,815)
Carrying amounts	
At 30 June 2018	90,884,168
At 1 January 2018	89,228,391

As at 30 June 2018 and 31 December 2017, all of the Group's land use rights are on medium-term lease.

As at 30 June 2018 and 31 December 2017, no interest was capitalized in intangible assets of the Group.

As at 30 June 2018 and 31 December 2017, the Group has no intangible assets used as mortgage for bank loans.

As at 30 June 2018 and 31 December 2017, the Group did not have land use rights with pending certificates of ownership.

V. Notes to the consolidated financial statements (continued)

10 Goodwill

(1) Changes in goodwill

Name of investee	Note	Balance at 1 January 2018	Additions during the period	Balance at 30 June 2018
Book Value				
Anyue Andre Lemon Industry Technology Co., Ltd.	(a)	3,066,599	–	3,066,599
Yongji Andre Juice Co., Ltd.	(b)	4,566,293	–	4,566,293
Yantai Longkou Andre Juice Co., Ltd.	(c)	1,020,683	–	1,020,683
Sub-total		8,653,575	–	8,653,575
Provision for impairment				
Anyue Andre Lemon Industry Technology Co., Ltd.		(3,066,599)	–	(3,066,599)
Sub-total		(3,066,599)	–	(3,066,599)
Carrying amount		5,586,976	–	5,586,976

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

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

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

V. Notes to the consolidated financial statements (continued)

10 Goodwill (continued)

(2) Provision for impairment of goodwill

The Group's asset groups which the goodwill regonised 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 10.44% (2017: 10.52%). The cash flows beyond the five-year forecast period were assumed to be stable. Based on the estimated recoverable amount calculated by the method above at 31 December 2016, impairment loss on the goodwill of Anyue Andre Lemon Industry Technology Co., Ltd. amounting to RMB3,066,599 was recognised. However, as key assumptions on which management has made in respect of future cash projections are subject to change, management believes that any adverse change in the assumptions would cause the carrying amount to exceed its recoverable amount.

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

11 Deferred tax assets

(1) Details of unrecognised deferred tax assets

Item	**30 June 2018**	31 December 2017
Deductible tax losses	**51,229,677**	52,171,875

(2) In accordance with the accounting policy set out in Note III.23, the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB51,229,677 (2017: RMB52,171,875) as it is not probable that future taxable profits against which the losses can be utilised will be available to the Group. The deductible tax losses can be deducted from future taxable income within 5 years from the year when such losses were incurred under current tax laws.

V. Notes to the consolidated financial statements (continued)

11 Deferred tax assets (continued)

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

Year	**30 June 2018**	31 December 2017
2018	**5,397,451**	5,494,795
2019	**576,342**	576,342
2020	**11,844**	11,844
2021	**–**	–
2022	**44,984,734**	46,088,894
2023	**259,306**	–
Total	**51,229,677**	52,171,875

12 Assets with restricted ownership or right of use

As at 30 June 2018 and 31 December 2017, there are no assets with restrictions placed on the Group's ownership.

13 Short-term loans

	30 June 2018				
Item	**Annual interest rate**	**Currency**	**Principal**	**Exchange Rate**	**RMB**
Guaranteed loans	**4.39%**	**RMB**	**–**	**–**	**20,000,000**

	31 December 2017				
Item	Annual interest rate	Currency	Principal	Exchange Rate	RMB
Credit loans	4.35%	RMB	–	–	100,000,000
Guaranteed loans	4.35%	RMB	–	–	30,000,000
Guaranteed loans	4.39%	RMB	–	–	40,000,000
Total					170,000,000

As at 30 June 2018 and 31 December 2017, the Group did not have past due short-term loans.

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

V. Notes to the consolidated financial statements (continued)

14 Bills and accounts payable

Details of accounts payable are as follows:

Customer type	30 June 2018	31 December 2017
Third parties	**41,582,732**	83,277,765
Related parties	**128,731**	3,091,850
Total	**41,711,463**	86,369,615

15 Contract liabilities

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

Movement of major contract liabilities during the period:

Item	30 June 2018
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**2,399,933**
Amount received in advance during the current period	**3,532,644**

16 Employee benefits payable

(1) Details of employee benefits payable:

	At 1 January 2018	Accrued during the period	Decreased during the period	At 30 June 2018
Short-term employee benefits	21,065,744	17,146,193	23,266,659	14,945,278
Post-employment benefits – defined contribution plans	209,923	1,980,518	2,190,441	–
Total	21,275,667	19,126,711	25,457,100	14,945,278

V. Notes to the consolidated financial statements (continued)

16 Employee benefits payable (continued)

(2) Short-term employee benefits

	At 1 January 2018	Accrued during the period	Decreased during the period	At 30 June 2018
Salaries, bonuses, allowances and subsidies	9,865,194	16,025,160	21,437,352	4,453,002
Staff bonus and welfare fund	10,727,074	–	236,736	10,490,338
Social insurance				
Medical insurance	78,581	741,370	819,951	–
Work-related injury insurance	12,124	114,383	126,507	–
Maternity insurance	5,613	52,955	58,568	–
Housing fund	377,158	25,385	402,543	–
Labour union fee and staffs' education fee	–	186,940	185,002	1,938
Total	21,065,744	17,146,193	23,266,659	14,945,278

(3) Post-employment benefits – defined contribution plans

	At 1 January 2018	Accrued during the period	Decreased during the period	At 30 June 2018
Basic pension insurance	202,064	1,906,381	2,108,445	–
Unemployment insurance	7,859	74,137	81,996	–
Total	209,923	1,980,518	2,190,441	–

As at 30 June 2018 and 31 December 2017, the Group did not have payment in arrears in the balance of employee benefits payable.

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

V. Notes to the consolidated financial statements (continued)

17 Taxes payable

Item	30 June 2018	31 December 2017
Value-added tax	**8,874,383**	8,792,448
Land use tax	**597,507**	595,590
Property tax	**514,659**	552,970
Others	**2,085,038**	1,062,241
Total	**12,071,587**	11,003,249

18 Other payables

Item	Notes	30 June 2018	31 December 2017
Dividends payable	(1)	**35,800,000**	–
Interest payable		**31,731**	643,783
Other	(2)	**13,015,445**	11,802,159
Total		**48,847,176**	12,445,942

(1) Dividends payable

Pursuant to the resolution passed at the annual general meeting held on 26 June 2018, the dividend for 2017 was RMB0.1 per share totalling RMB35,800,000, was approved for distribution to the shareholders of the Company.

The Group did not have individual or significant dividends payable denominated in the foreign currency as at 30 June 2018 and 31 December 2017.

(2) Others

Item	30 June 2018	31 December 2017
Third parties	**13,015,445**	11,802,159

V. Notes to the consolidated financial statements (continued)

19 Share capital

	1 January 2018	Changes during the year: Issue of new shares	Share consolidation	Purchase of own shares	Sub-total	30 June 2018
Total number of shares	358,000,000	–	–	–	–	358,000,000
Amount (RMB)	358,000,000	–	–	–	–	358,000,000

20 Capital reserve

Item	Balance at the beginning of the period	Additions during the period	Reductions during the period	Balance at the end of the period
Share premium	17,281,789	–	–	17,281,789
Other capital reserves	9,926	–	–	9,926
Total	17,291,715	–	–	17,291,715

21 Surplus reserve

Item	Balance at the beginning of the period	Additions during the period	Balance at the end of the period
Statutory surplus reserve	107,111,132	–	107,111,132

V. Notes to the consolidated financial statements (continued)

22 Retained earnings

Item	Note	**Amount**
At 1 January 2018		1,195,065,141
Add: Net profits for the period attributable to shareholders of the Company		69,620,839
Minus: Dividends payable to ordinary shares	(1)	35,800,000
At 30 June 2018		1,228,885,980

As at 30 June 2018, the distributable reserve of the Company amounted to RMB312,281,198 (31 December 2017: RMB340,496,213).

(1) Distribution of dividends of ordinary shares declared

Pursuant to the resolution passed at the annual general meeting on 26 June 2018, a dividend payable to equity shareholders of the Company of RMB0.1 per share, totalling RMB35,800,000, was approved.

The Board does not recommend interim dividends for the six months ended 30 June 2018 and 30 June 2017.

23 Operating income and operating costs

	For the six-month period ended 30 June			
	2018		2017	
Item	**Income**	**Cost**	Income	Cost
Principal activities	**529,515,398**	**397,035,692**	392,548,344	266,360,586
Other operating activities	**2,566,011**	**1,251,017**	2,059,898	1,211,204
Total	**532,081,409**	**398,286,709**	394,608,242	267,571,790

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

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

V. Notes to the consolidated financial statements (continued)

24 Taxes and surcharges

Item	For the six-month period ended 30 June 2018	2017
Urban maintenance and construction tax	**1,698,359**	2,521,623
Education surcharges	**1,820,482**	2,544,062
Property tax	**1,753,037**	1,736,367
Land use tax	**1,965,926**	2,185,807
Others	**676,628**	405,015
Total	**7,914,432**	9,392,874

25 Financial expenses

Item	For the six-month period ended 30 June 2018	2017
Interest expenses arising from borrowings	**861,596**	4,932,565
Government grants- interest subsidy	**(1,825,000)**	(350,000)
Interest income from deposits	**(161,676)**	(88,527)
Net exchange loss/(gains)	**(3,102,924)**	3,110,338
Other financial expenses	**248,136**	184,088
Total	**(3,979,868)**	7,788,464

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

During the six months ended 30 June 2017, Anyue Economic and Technological Information Bureau directly appropriated interest subsidy of RMB350,000 to the Group, which offsetted against financial expenses.

V. Notes to the consolidated financial statements (continued)

26 Impairment losses

Item	For the six-month period ended 30 June 2018	2017
Bills and accounts receivable	**–**	405,885
Inventories	**226,285**	2,184,248
Total	**226,285**	2,590,133

27 Credit losses

Item	For the six-month period ended 30 June 2018	2017
Bills and accounts receivable	**29,903**	–

28 Government grants

(1) Government grants related to assets

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

(a) Effect on assets

Item	For the six-month period ended 30 June 2018	2017
Offset against book value of fixed assets		
Grant for production line modification	**–**	3,127,500

V. Notes to the consolidated financial statements (continued)

28 Government grants (continued)

(1) Government grants related to assets (continued)

(b) Effect on deferred income

Item	Balance at the beginning of the period	Additions	Offset against book value of fixed asset	Others	Balance at the end of the period
Grant for production line modification	3,127,500	–	(3,127,500)	–	–

(2) Government grant related to income

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

	For the six-month period ended 30 June	
Item	**2018**	2017
Foreign trade subsidies	**504,400**	–
Research and development subsidies	**1,603,000**	–
Tax reward	**–**	646,000
Finance and tax funds support	**–**	351,200
Others	**–**	146,368
Total	**2,107,400**	1,143,568

For the six-month period ended 30 June 2018, the Group received grants totaling RMB2,107,400 from various government authorities as rewards for its independent research and development and Chinese Independent Brand, which is directly included in other income. The Group used the interest subsidy to offset loan expenses. For the information of interest subsidy, refer to Note V.25.

For the six-month period ended 30 June 2017, the Group received grants totaling RMB1,143,568 from various government authorities as rewards for its contributions to local economic development, which is directly included in other income. The Group used the interest subsidy to offset loan expenses. For the information of interest subsidy, refer to Note V.25.

V. Notes to the consolidated financial statements (continued)

29 Investment income

Investment income by item

Item	For the six-month period ended 30 June 2018	2017
Investment income from disposal of financial assets measured at fair value through profit or loss	**–**	2,339,155
Including: financial assets designated at fair value through profit or loss	**–**	2,339,155
Investment income from disposal of available-for-sale financial assets	**–**	1,439,187
Including: Transfers from other comprehensive income	**–**	827,320
Investment income from disposal of financial assets designated at fair value through profit or loss	**2,629,215**	–
Total	**2,629,215**	3,778,342

30 Gain from changes in fair value

Item	For the six-month period ended 30 June 2018	2017
Financial assets at fair value through profit or loss	**–**	79,304
Including: The amount which transfers to investment income due to derecognisation	**–**	79,304

V. Notes to the consolidated financial statements (continued)

31 Non-operating expenses

Item	For the six-month period ended 30 June 2018	2017
Donations	**809,977**	–
Others	**154,534**	20,346
Total	**964,511**	20,346

32 Income tax expenses

Item	For the six-month period ended 30 June 2018	2017
Current tax expenses for the year estimated in accordance with tax law and regulations	**9,823**	211,148
Tax filling differences	**72,551**	52,974
Total	**82,374**	264,122

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

Item	For the six-month period ended 30 June 2018	2017
Profit before taxation	**69,703,213**	62,913,353
Expected income tax expenses at tax rate of 25%	**17,425,803**	15,728,338
Effect of non-taxable income	**(17,522,596)**	(19,096,391)
Effect of different tax rates applied by certain subsidiaries	**135,685**	140,040
Effect of unrecognised deferred tax asset for deductible loss this year	**38,896**	3,254,524
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	**(300,376)**	(654,383)
Tax filling differences	**72,551**	52,974
Effect of non-deductible costs, expenses and losses	**232,411**	839,020
Income tax expenses	**82,374**	264,122

V. Notes to the consolidated financial statements (continued)

33 Basic earnings per share and diluted earnings per share

(1) Basic earnings per share

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

	For the six-month period ended 30 June	
	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company	**69,620,839**	62,649,231
Weighted average number of ordinary shares outstanding	**358,000,000**	366,830,801
Basic earnings per share (RMB/share)	**0.194**	0.171
Diluted earnings per share (RMB/share)	**0.194**	0.171

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

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

	For the six-month period ended 30 June	
	2018	2017
Issued ordinary shares at the beginning of the period	**358,000,000**	368,000,000
Effect of repurchase of own shares	**–**	(1,169,199)
Weighted average number of ordinary shares at the end of the period	**358,000,000**	366,830,801

V. Notes to the consolidated financial statements (continued)

34 Supplement to income statement

Expenses are analysed by their nature:

Item	For the six-month period ended 30 June **2018**	 2017
Operating income	**532,081,409**	394,608,242
Less: Changes in inventories of finished goods and work in progress	**330,124,807**	230,284,796
Raw materials and packaging materials used	**47,981,215**	23,053,235
Employee benefits expenses	**19,126,711**	18,939,321
Depreciation and amortisation expenses	**22,113,669**	22,722,943
Financial expenses	**(3,979,868)**	7,788,464
Impairment losses	**226,285**	2,590,133
Credit impairment loss	**29,903**	–
Other expenses	**50,759,970**	31,307,509
Add: Other income	**2,107,400**	1,143,568
Investment income	**2,629,215**	3,778,342
The profit and losses on the changes in fair value	**–**	79,304
The profit and losses on disposal of fixed assets	**225,944**	2,440
Operating profit	**70,661,276**	62,925,495

V. Notes to the consolidated financial statements (continued)

35 Supplementary information on cash flow statement

(1) Supplement to cash flow statement

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

	For the six-month period ended 30 June	
Item	**2018**	2017
Net profit	**69,620,839**	62,649,231
Add: Depreciation of fixed assets	**20,868,407**	21,269,593
Amortisation of intangible asset	**1,245,262**	1,453,350
Credit impairment loss	**29,903**	–
Provisions for impairment of assets	**226,285**	2,590,133
Losses from disposal of fixed assets	**(225,944)**	(2,440)
Financial expenses	**(5,680,637)**	7,374,617
Investment income	**(2,629,215)**	(3,778,342)
Profit from changes in fair value	**–**	(79,304)
Decrease in gross inventories	**326,480,838**	226,678,806
Decrease in operating receivables	**36,597,030**	40,558,691
Decrease in operating payables	**(46,909,854)**	(28,579,316)
Net cash inflow from operating activities	**399,622,914**	330,135,019

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

35 Supplementary information on cash flow statement (continued)

(1) Supplement to cash flow statement (continued)

b. Change in cash and cash equivalents:

Item	For the six-month period ended 30 June 2018	2017
Cash and cash equivalents at the end of the period	**344,079,615**	167,408,997
Less: Cash and cash equivalents at the beginning of the period	**79,398,474**	110,178,784
Net increase in cash and cash equivalents	**264,681,141**	57,230,213

(2) Details of cash and cash equivalents

Item	For the six-month period ended 30 June 2018	2017
Cash at bank and on hand	**344,079,615**	167,408,997
Including: Cash on hand	**83,062**	71,792
Bank deposits available on demand	**343,996,553**	167,337,205
Closing balance of cash and cash equivalents	**344,079,615**	167,408,997

VI. Interests in other entities

Composition of the Group

Name of the Subsidiary	Principal place of business and registration place	Business nature	Registered capital	Shareholding percentage Direct	Indirect	Acquisition method
Baishui Andre Juice Co., Ltd.	Shaanxi, PRC	Manufacture and sale of condensed juice	USD17,125,000	74.44%	25.56%	establishment
Yantai Longkou Andre Juice Co., Ltd.	Shandong, PRC	Manufacture and sale of condensed juice	USD12,235,000	74.11%	25.89%	establishment
Xuzhou Andre Juice Co., Ltd.	Jiangsu, PRC	Manufacture and sale of condensed juice	USD10,000,000	75%	25%	establishment
Andre Juice Co., Ltd.	British Virgin Islands	Investment holding	USD50,000	100%	–	establishment
North Andre Juice (USA) Inc.	The United States of America	Sale of condensed juice	USD10,000	–	100%	establishment
Dalian Andre Juice Co., Ltd.	Liaoning, PRC	Manufacture and sale of condensed juice	RMB80,000,000	70%	30%	establishment
Yantai Andre Juice Co., Ltd.	Shandong, PRC	Manufacture and sale of fruit pulp	USD4,832,000	75%	25%	establishment
Yongji Andre Juice Co., Ltd.	Shanxi, PRC	Manufacture and sale of condensed juice	USD12,960,000	75%	25%	acquisition
Anyue Andre Lemon Industry Technology Co., Ltd.	Sichuan, PRC	Manufacture and sale of condensed juice	RMB50,000,000	100%	–	acquisition
Liquan Yitong Juice Co., Ltd.	Shaanxi, PRC	Manufacture and sale of condensed juice	RMB100,000,000	–	100%	acquisition

VII. Risk related to financial instruments

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

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

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

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

1 Credit risk

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

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

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

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

VII. Risk related to financial instruments (continued)

1 Credit risk (continued)

(1) Accounts receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 20% (31 December 2017: 55%) of the total accounts receivable were due from the five largest customers of the Group. In addition, the debtors of the Group that are neither past due nor impaired mainly relate to a wide range of customers for whom there was no recent history of default.

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

(a) Credit risk exposure and expected credit loss assessment

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

The following table provides information about the group's exposure to credit risk and ECLs for trade receivables as at 30 June 2018:

30 June 2018	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	1%	164,252,833	1,195,958
1-30 days past due	7%	18,767,159	1,229,952
31-60 days past due	95%	2,418,711	2,288,099
More than 60 days past due	100%	382,156	382,156
Total		185,820,859	5,096,165

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

VII. Risk related to financial instruments (continued)

1 Credit risk (continued)

(1) Accounts receivable (continued)

(b) Movement in the loss allowance account in respect of trade receivables during the period is as follows:

	30 June 2018	31 December 2017
Balance under the original financial instruments standards	**5,066,262**	–
Impact on initial application of the new financial instrument standards	**–**	–
Adjusted balance at the beginning of the period/year	**5,066,262**	2,553,740
Additions during the period/year	**29,903**	1,536,215
Written-off during the period/year	**–**	–
Reversals during the period/year which written-off during the previous year	**–**	976,307
Balance at the end of the period/year	**5,096,165**	5,066,262

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.

VII. Risk related to financial instruments (continued)

2 Liquidity risk (continued)

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

	30 June 2018 Contractual undiscounted cash flow					
Item	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount at balance sheet date**
Financial liabilities						
Short-term loans	**20,302,664**	**–**	**–**	**–**	**20,302,664**	**20,000,000**
Bills and accounts payables	**41,711,463**	**–**	**–**	**–**	**41,711,463**	**41,711,463**
Other payables	**48,815,445**	**–**	**–**	**–**	**48,815,445**	**48,815,445**
Long-term payables	**–**	**–**	**–**	**1,111,000**	**1,111,000**	**859,102**
Net amount	**110,829,572**	**–**	**–**	**1,111,000**	**111,940,572**	**111,386,010**

	31 December 2017 Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at balance sheet date
Financial liabilities						
Short-term loans	172,284,427	–	–	–	172,284,427	170,000,000
Bills and accounts payables	86,369,615	–	–	–	86,369,615	86,369,615
Other payables	11,802,159	–	–	–	11,802,159	11,802,159
Long-term payables	–	–	–	1,111,000	1,111,000	840,584
Net amount	270,456,201	–	–	1,111,000	271,567,201	269,012,358

VII. Risk related to financial instruments (continued)

3 Interest rate risk

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

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

Fixed rate instruments:

	30 June 2018		31 December 2017	
Item	**Effective interest rate**	**Amount**	Effective interest rate	Amount
Financial liabilities				
– Short-term loans	**4.39%**	**(20,000,000)**	4.35% ~ 4.39%	(170,000,000)
Total		**(20,000,000)**		(170,000,000)

Variable rate instruments:

	30 June 2018		31 December 2017	
Item	**Effective interest rate**	**Amount**	Effective interest rate	Amount
Financial assets				
– Cash at bank	**0.01% ~ 0.30%**	**343,996,553**	0.01% ~ 0.30%	79,271,078
Financial liabilities				
– Short-term loans	**–**	**–**	–	–
Total		**343,996,553**		79,271,078

(b) Sensitivity analysis

As at 30 June 2018, it is estimated that a general increase of 50 basis points in interest rates, with all other variables held constant, would increase the Group's equity and net profit by RMB1,289,987 (2017: RMB297,267).

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

VII. Risk related to financial instruments (continued)

4 Foreign currency risk

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

(a) As at 30 June 2018, 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 2018		31 December 2017	
Item	**Balance at foreign currency**	**Balance at RMB equivalent**	Balance at foreign currency	Balance at RMB equivalent
Cash at bank and on hand				
USD	**7,866,021**	**52,046,313**	4,571,418	29,870,561
HKD	**1,055,549**	**889,933**	372,819	311,639
Bills and accounts receivable				
USD	**23,705,283**	**156,848,376**	26,585,660	173,716,019
Bills and accounts payable				
USD	**(1,638,097)**	**(10,838,633)**	(745,120)	(4,868,766)
Net balance sheet exposure				
USD	**29,933,207**	**198,056,056**	30,411,958	198,717,814
HKD	**1,055,549**	**889,933**	372,819	311,639

(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 2018	31 December 2017	**30 June 2018**	31 December 2017
HKD	**0.8395**	0.8652	**0.8431**	0.8359
USD	**6.5754**	6.7356	**6.6166**	6.5342

VII. Risk related to financial instruments (continued)

4 Foreign currency risk (continued)

(c) Sensitivity analysis

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

	Equity	**Net profit**
As at 30 June 2018		
USD	**7,427,102**	**7,427,102**
HKD	**33,372**	**33,372**
Total	**7,460,474**	**7,460,474**
As at 31 December 2017		
USD	7,451,918	7,451,918
HKD	11,686	11,686
Total	7,463,604	7,463,604

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

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

5 Other price risk

Other price risks include commodity price risk.

VIII. Fair value disclosure

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

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

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

As at 30 June 2018 and 31 December 2017, there is no financial assets and liabilities measured at fair value.

2 Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at 30 June 2018 and 31 December 2017 on the Group's ownership.

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)
President Enterprises (China) Investment Co., Ltd.	An entity which has significant influence over the Group (i)
Guangzhou President Enterprises Co., Ltd.	A subsidiary of the President Enterprises (China) Investment Co., Ltd.
Chengdu President Enterprises Food Co., Ltd.	A subsidiary of the President Enterprises (China) Investment Co., Ltd.
Yantai Andre Yangma Resort Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Real Estate Development Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Property Management Co., Ltd.	Under control of the same ultimate holding company
Yantai Andre Pectin Co., Ltd.	Under control of the same ultimate holding company
Yantai Hengtong Heat Co., Ltd.	Under control of the same ultimate holding company
Liquan Yitong Heat Co., Ltd.	Under control of the same ultimate holding company
Yantai Yitong Heat Co., Ltd.	Under control of the same ultimate holding company
Yantai Hengda Cement Co., Ltd.	Under control of the same ultimate holding company
Yantai Hengli Concrete LLC.	Under control of the same ultimate holding company
Yantai Xinping Jian'an Co., Ltd.	An entity which was controlled by ultimate holding company's close family member
Yantai Xingan Investment Centre (Limited Partnership)	Under control of the Group's key management personnel
Donghua Fruit Industry Co., Ltd.	Under control of the same ultimate holding company
China Pingan Investment Holdings Limited	Under control of the same ultimate holding company
Yantai Andre holiday Hotel Plaza Limited	Under control of the same ultimate holding company

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

IX. Related parties and related party transactions (continued)

3 Transactions with related parties

During the six months ended 30 June 2018, 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

	The Group For the six-month period ended 30 June		**The Company For the six-month period ended 30 June**	
	2018	2017	**2018**	2017
Sales of goods	**10,369,567**	28,102,527	**19,218,272**	26,686,439
Purchases of goods	**4,816,358**	2,223,596	**196,485,687**	224,578,693
Rental income	**321,110**	386,615	**321,110**	364,945
Purchase of fixed assets	**–**	1,469,935	**123,929**	–
Sales of fixed assets	**–**	–	**14,105,754**	–
Provision of services	**285,783**	108,401	**168,300**	–
Advance money received	**–**	–	**64,969,571**	179,161,179
Fund received	**20,000,000**	20,000,000	**–**	20,000,000
Fund returned	**20,000,000**	20,000,000	**–**	20,000,000
Dividend distribution	**25,053,600**	12,526,800	**25,053,600**	12,526,800

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

The Group

	For the six-month period ended 30 June	
Item	**2018**	2017
Remuneration of key management personnel	**1,646,827**	1,260,798

The Company

	For the six-month period ended 30 June	
Item	**2018**	2017
Remuneration of key management personnel	**1,188,068**	706,252

For the six-month period ended 30 June 2018 and 30 June 2017, no emoluments were paid to the directors or supervisors as an inducement to join or upon joining the Company or as compensation for loss of office. For the six-month period ended 30 June 2018 and 30 June 2017, no fees or any other emoluments were waived by directors or supervisors.

IX. Related parties and related party transactions (continued)

4 Receivables from and payables to related parties

	The Group		The Company	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
Bills and accounts receivable	**4,944,254**	6,159,381	**5,527,670**	18,473,453
Other receivable-Dividends receivable	**–**	–	**25,699,658**	53,699,658
Other receivables-Others	**11,154**	801,363	**140,137,159**	205,891,635
Bills and accounts payable	**128,731**	3,091,850	**10,340,418**	10,584,774
Other payables-Others	**–**	–	**425,233,012**	207,379,085
Other payables- Dividends payable	**25,053,600**	–	**25,053,600**	–
Contract liabilities	**7,021**	–	**–**	–

5 Guarantee

(1) The Group as a guarantee

	For the six-month period ended 30 June			
	2018		2017	
Name of guarantee	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**20,000,000**	**N**	30,000,000	N
Shandong Andre Group Co., Ltd.	**50,000,000**	**Y**	180,000,000	Y
Total	**70,000,000**		210,000,000	

IX. Related parties and related party transactions (continued)

5 Guarantee (continued)

(2) The Company as a guarantee

	For the six-month period ended 30 June			
	2018		2017	
Name of guarantee	**Amount of guaranty**	**Guaranty completed (Y/N)**	Amount of guaranty	Guaranty completed (Y/N)
Shandong Andre Group Co., Ltd.	**20,000,000**	**N**	30,000,000	N
Shandong Andre Group Co., Ltd.	**50,000,000**	**Y**	180,000,000	Y
Total	**70,000,000**		210,000,000	

X. Capital management

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

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

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

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

During the six months ended 30 June 2018, the Group's strategy, which was unchanged from 2017, was to maintain an adjusted net debt-to-capital ratio. In order to maintain 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.

XI. Commitments and Contingencies

1 Significant commitments

(1) Capital commitments

Item	**30 June 2018**	31 December 2017
Contracts for acquisition of fixed assets being or to be executed	**15,068,731**	120,000

(2) Operating lease commitments

As at 30 June 2018 and 31 December 2017, the Group and the Company had no non-cancellable operating leases.

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

As at 30 June 2018 and 31 December 2017, the Group did not have contingent liabilities arising from outstanding litigations and arbitration.

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

As at 30 June 2018 and 31 December 2017, the Group did not provide guarantees in respect of the bank loans of other company.

XII. Subsequent events

There were no material post balance sheet date events.

XIII. Other significant items

Segment reporting

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

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

	For the six-month period ended 30 June	
Geographical location	**2018**	2017
China	**106,400,964**	101,197,215
North America	**182,303,792**	128,865,449
Asia (excluding China)	**82,144,767**	62,577,606
Europe	**79,771,921**	49,213,007
Africa	**59,898,549**	35,226,638
Oceania	**21,162,210**	17,528,327
South America	**399,206**	–
Total	**532,081,409**	394,608,242

As at 30 June 2018, the carrying amount of non-current assets located overseas is RMB12,456,668 (31 December 2017: RMB291,871).

For the six-month period ended 30 June 2018 and 30 June 2017, the Group has no customer the operating income from which is over 10% of the Group's total operating income.

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

1 Bills and accounts receivable

Item	Notes	30 June 2018	31 December 2017
Bills receivable	(1)	**2,145,550**	6,026,975
Accounts receivable	(2)	**113,000,366**	121,596,500
Total		**115,145,916**	127,623,475

(1) Bills receivable

Classification of bills receivable

Item	30 June 2018	31 December 2017
Bank acceptance bills	**2,145,550**	6,026,975

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

As at 30 June 2018 and 31 December 2017, the Group did not hold any undue bills that has been endorsed or discounted (with right of recourse).

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

1 Bills and accounts receivable (continued)

(2) Accounts receivable

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

Customer type	30 June 2018	31 December 2017
Subsidiaries	**4,622,264**	17,888,149
Other related parties	**905,406**	585,304
Third parties	**112,568,861**	108,189,309
Sub-total	**118,096,531**	126,662,762
Less: Provision for bad and doubtful debts	**5,096,165**	5,066,262
Total	**113,000,366**	121,596,500

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

Ageing	30 June 2018	31 December 2017
Within 6 months (inclusive)	**118,096,531**	111,254,289
After 6 months but within 1 year (inclusive)	**–**	15,405,410
After 1 year but within 2 years (inclusive)	**–**	3,063
Sub-total	**118,096,531**	126,662,762
Less: Provision for bad and doubtful debts	**5,096,165**	5,066,262
Total	**113,000,366**	121,596,500

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

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

1 Bills and accounts receivable (continued)

(2) Accounts receivable (continued)

(c) Addition, recovery or reversal of provision for bad and doubtful debts during the year:

	30 June 2018	31 December 2017
Balance under the original financial instruments standard	**5,066,262**	–
Impact on initial application of the new financial instruments standards	**–**	–
Adjusted balance at the beginning of the period/year	**5,066,262**	2,553,740
Additions during the period/year	**29,903**	1,536,215
Written-off during the period/year	**–**	–
Reversals during the period/year which written-off during the previous year	**–**	976,307
Balance at the end of the period/year	**5,096,165**	5,066,262

2 Other receivables

Item	Notes	**30 June 2018**	31 December 2017
Dividends receivable		**25,699,658**	53,699,658
Interest receivable		**–**	–
Other	(1)	**140,788,398**	225,253,334
Total		**166,488,056**	278,952,992

As at 30 June 2018 and 31 December 2017, the Company did not hold any other receivables which were denominated in foreign currency.

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

2 Other receivables (continued)

(1) Others

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

Type	**30 June 2018**	31 December 2017
Subsidiaries	**140,137,159**	205,106,730
Related parties	**–**	784,905
Third parties	**651,239**	19,361,699
Sub-total	**140,788,398**	225,253,334
Less: Provision for bad and doubtful debts	**–**	–
Total	**140,788,398**	225,253,334

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

Ageing	**30 June 2018**	31 December 2017
Within 1 year (inclusive)	**140,788,398**	225,153,334
After 1 year but within 2 years (inclusive)	**–**	100,000
Sub-total	**140,788,398**	225,253,334
Less: Provision for bad and doubtful debts	**–**	–
Total	**140,788,398**	225,253,334

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

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

3 Long-term equity investments

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

Item	**30 June 2018**	31 December 2017
Investments in subsidiaries	**465,462,159**	465,462,159
Less: Provision for impairment	**33,451,980**	30,554,482
Total	**432,010,179**	434,907,677

As at 30 June 2018 and 31 December 2017, the Company recognised impairment provisions of RMB33,451,980 and RMB30,554,482, respectively for the long-term equity investment in Anyue Andre Lemon Industry Technology Co., Ltd.

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

		Book value of long-term equity investment						
Investee	Investment cost	At 1 January 2018	Increase/ Decrease	At 30 June 2018	Provision for impairment	Balance of provision for impairment at the end of the period	Shareholding percentage (%)	Voting rights percentage (%)
Cost method-subsidiaries								
Baishui Andre Juice Co., Ltd.	110,630,130	110,630,130	-	110,630,130	-	-	74.44%	74.44%
Yantai Longkou Andre Juice Co., Ltd.	80,622,696	80,622,696	-	80,622,696	-	-	74.11%	74.11%
Xuzhou Andre Juice Co., Ltd.	58,645,418	58,645,418	-	58,645,418	-	-	75%	75%
Andre Juice Co., Ltd.	8	8	-	8	-	-	100%	100%
Dalian Andre Juice Co., Ltd.	56,000,000	56,000,000	-	56,000,000	-	-	70%	70%
Yantai Andre Juice Co., Ltd.	30,000,000	30,000,000	-	30,000,000	-	-	75%	75%
Yongji Andre Juice Co., Ltd.	77,443,907	77,443,907	-	77,443,907	-	-	75%	75%
Anyue Andre Lemon Industry Technology Co., Ltd.	52,120,000	52,120,000	-	52,120,000	(2,897,498)	(33,451,980)	100%	100%
Total	465,462,159	465,462,159	-	465,462,159	(2,897,498)	(33,451,980)		

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

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

4 Operating income and operating costs

	For the six-month period ended 30 June			
	2018		2017	
Item	**Income**	**Cost**	Income	Cost
Principal activities	**284,345,475**	**255,964,194**	243,998,571	209,721,303
Other businesses	**3,449,692**	**2,668,977**	4,235,085	3,364,208
Total	**287,795,167**	**258,633,171**	248,233,656	213,085,511

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

5 Investment income

	For the six-month period ended 30 June	
Item	**2018**	2017
Investment income from disposal of available-for-sale financial assets	**–**	1,433,190
Including: Transfer from other comprehensive income	**–**	827,320
Investment income from disposal of financial assets held for trading	**2,629,215**	–
Total	**2,629,215**	1,433,190

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2018, the Group's turnover was approximately RMB532,081,000 as compared to approximately RMB394,608,000 for the corresponding period in 2017, representing an increase of approximately RMB137,473,000 or approximately 35%. 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 increase in sales volume of the juice concentrate.

For the six months ended 30 June 2018, the Group's gross profit was approximately RMB133,795,000 and the gross profit margin was approximately 25%. For the corresponding period in 2017, the gross profit was approximately RMB127,036,000 and gross profit margin was approximately 32%. The decrease in gross profit margin was due to the rise in costs of raw fruits and other materials outweighed the effect of increase in sales volume.

For the six months ended 30 June 2018, the Group's net profit (i.e. the profit for the period attributable to equity shareholders of the Company) was approximately RMB69,621,000, as compared to approximately RMB62,649,000 for the corresponding period in 2017, representing an increase of approximately RMB6,972,000 or approximately 11%. The increase in net profit was mainly attributable to the increase in sales volume and foreign exchange gain.

For the six months ended 30 June 2018, the Group incurred selling and distribution expenses of approximately RMB45,375,000, as compared to approximately RMB32,390,000 for the corresponding period in 2017, representing an increase of approximately RMB12,985,000 or 40%. The Group's selling and distribution expenses mainly included transport fees, export inspection fees and marketing expenses. The increase in the selling and distribution expenses was mainly attributable to the increase in sales volume.

For the six months ended 30 June 2018, the Group incurred general and administrative expenses of approximately RMB17,757,000 as compared to approximately RMB16,113,000 for the corresponding period in 2017, representing an increase of approximately RMB1,644,000.

For the six months ended 30 June 2018, the net financial income of the Group was approximately RMB3,980,000, as compared to the net financial expenses of approximately RMB7,788,000 for the corresponding period in 2017, representing a change of approximately RMB11,768,000. Such change was mainly due to the increase in foreign exchange gain.

Business Review

Stabilising Market Coverage

During the first half of 2018, by adapting to the market demand and leveraging on its advanced production technology, superb product quality and comprehensive customer services, the Group maintained steady growth in markets sales. With years of continuous efforts, the Group has already expanded its sales network to major countries and regions in the world, including the U.S., Japan, Europe, Oceania and African countries and the PRC domestic market.

Optimisation of Customer Base

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

Future Prospects

Market Expansion and Product Diversification

Currently the Group has established relatively stable market penetration and customers groups in major consumer markets of apple juice concentrate in the world, namely the U.S., Europe, Oceania, African countries and Japan. During the new financial year, apart from stabilising its established market, the Company will put more efforts in the development of various emerging markets, with a view to breaking through these markets. On the other hand, the Company has in recent years explored the market opportunities for its new products and niche products as well as the development of new customer groups. This will satisfy both the needs of the market and our customers, as well as fulfill our target of product diversification.

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 2018 while actively exploring new customers through our prime product quality and comprehensive services, with a view to opening a new page in our domestic market sales.

EMPLOYMENT AND REMUNERATION POLICY

For the period ended 30 June 2018, the Group's average number of employee was 786 and the total employee remuneration for the six months ended 30 June 2018 was approximately RMB19,127,000. The Group's employment and remuneration policies remained unchanged with those described in the prospectus of the Company dated 11 April 2003. The salaries and benefits of the employees of the Group were kept at a competitive level and employees were rewarded on a performance related basis with general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, were also provided to employees.

DIVIDEND

The board of directors of the Company (the "**Board**") proposed a final dividend of RMB0.10 per share for the year ended 31 December 2017 ("**2017 Final Dividend**"). The proposal to declare and pay this 2017 Final Dividend was passed at the annual general meeting of the Company held on 26 June 2018.

With reference to the announcement of the Company dated 9 August 2018 in relation to payment of the 2017 Final Dividend and withholding and payment of enterprise income tax for non-resident enterprise shareholders, according to the Enterprise Income Tax Law, the particulars of the actual tax deduction rate and dividends for the payment of the 2017 final dividends by the Company to its shareholders are as follows:

Categories of shareholders of the Company	**Actual tax deduction rate**	**Actual net dividend per share of the 2017 final dividends**		**Payment currency**
		RMB	*Hong Kong dollar equivalent*	
Holders of domestic shares	N/A	0.1000	0.1209	RMB
Holders of non-listed foreign shares	4.23%	0.0958	0.1158	RMB
Holders of H shares as individuals	10.00%	0.0900	0.1088	Hong Kong dollar
Holders of H shares as enterprises	4.23%	0.0958	0.1158	Hong Kong dollar
Holders of H shares through the CCASS	4.23%	0.0958	0.1158	Hong Kong dollar

The exchange rate adopted was the closing exchange rate of RMB against the Hong Kong dollar as published by the People's Bank of China one day prior to the annual general meeting of the Company held on 26 June 2018, i.e. RMB1.00 equals to HK$1.2090.

The Board proposed not to distribute interim dividend for the six months period ended 30 June 2018.

SIGNIFICANT INVESTMENT

No significant investment was made by the Group during the six months ended 30 June 2018.

MATERIAL ACQUISITION AND DISPOSAL

No material acquisitions or disposals of subsidiaries have been made by the Company during the six months ended 30 June 2018.

PROPOSED ISSUE OF A SHARES

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

CONTINGENT LIABILITIES

The directors of the Company (the "**Directors**") were not aware of any material contingent liability as at 30 June 2018.

CHARGE OF ASSETS

The Group has no assets charged as at 30 June 2018.

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 2018, the Group had outstanding bank loans amounted to RMB20,000,000. All borrowings were denominated in RMB. Interest rate was 4.39%.

As at 30 June 2018, the Group had a net cash and cash equivalent position of approximately RMB344,080,000. The Group's gearing ratio at 30 June 2018 was approximately 8% (30 June 2017: approximately 12%) which was calculated based on the Group's total liabilities of approximately RMB141,967,000 (30 June 2017: approximately RMB235,575,000) divided by total equity and liabilities of approximately RMB1,853,256,000 (30 June 2017: approximately RMB1,889,414,000). 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

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 2018.

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

As at 30 June 2018, the interests and short positions of the Directors, supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") were as follows:

Long positions in the shares of the Company

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

Notes:

The letter "L" denotes a long position.

(1) As at 30 June 2018, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 Non-listed Foreign Shares, representing 12.95% interest in the total issued share capital of the Company; (b) 90% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), which held 54,658,540 Domestic Shares, representing 15.27% interest in the total issued share capital of the Company.

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

(3) As at 30 June 2018, Mr. Wang Yanhui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

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

(5) As at 30 June 2018, Mr. Zhang Hui, a Director, held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (烟台興安投資中心（有限合夥）), which held 20,000,000 Domestic Shares, representing 5.59% of the total issued share capital of the Company.

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

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

As at 30 June 2018, so far as the Directors are aware, the following persons (other than the Directors, supervisors and chief executive of the Company) had interests and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

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

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of Non-circulating Shares/ H Shares	Approximate Percentage of Total Share Capital
Zhang Shaoxia	Non-listed Foreign Shares	46,351,961 (L)	Interest of spouse	Personal	18.50% (L)	12.95% (L)
	Domestic Shares	54,658,540 (L)	Interest of spouse	Personal	21.82% (L)	15.27% (L)
Wang Meng	Non-listed Foreign Shares	65,779,459 (L)	Interest of controlled corporations *(Note 8)*	Personal	26.26% (L)	18.37% (L)
	H Shares	17,222,880 (L)	Interest of controlled corporations *(Note 9)*	Personal	16.03% (L)	4.81% (L)
Yantai Xingan Investment Centre (Limited Partnership)	Domestic Shares	20,000,000 (L)	Beneficial Owner	Corporate	7.98% (L)	5.59% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) *(Note 10)*	Beneficial owner	Corporate	10.24% (L)	3.07% (L)
Shenzhen Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) *(Note 10)*	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) *(Note 10)*	Interest of controlled corporations	Corporate	10.24% (L)	3.07% (L)
Chen Sheng	H Shares	11,000,000 (L) *(Note 10)*	Interest of controlled corporations	Personal	10.24% (L)	3.07% (L)

Notes:

The letter “L” denotes a long position.

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

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

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

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

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

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

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

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

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

(10) The long position in 11,000,000 H Shares was held by Shenzhen Tiandi Win-Win Investment Management Co., Limited (深圳市天地共贏投資管理有限公司), a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司), through its wholly-owned subsidiary Tiandi Win-Win Investment Management Co., Limited. Mr. Chen Sheng was deemed to be interested in these H Shares through his 77.99% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).

COMPETING INTERESTS

As at 30 June 2018, 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.

CHANGE OF SUPERVISORS

On 26 June 2018, Mr. Wang Chuntang resigned as a supervisor of the Company and Mr. Wang Kun was appointed as a supervisor of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Appendix 10 of the Listing Rules (the "**Required Standard**") as the Company's code of conduct regarding securities transactions by its Directors. A copy of the Required Standard has been sent to each Director one month before the date of the Board meeting to approve the Company's 2018 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 2018.

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 2018.

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 2018.

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

Yantai, the PRC, 29 August 2018

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.*