安德利
ANDRE

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

Annual Report
2020

Contents

Corporate Information

Directors

Executive Directors
Wang An
Zhang Hui
Wang Yan Hui

Non-Executive Director
Liu Tsung-Yi

Independent Non-Executive Directors
Jiang Hong Qi
Li Wei
Li Yao

Supervisors

Dai Li Ying
Wang Zhi Wu
Wang Kun

Board Secretary

Wang Yan Hui

Company Secretary

Ng Man Yee Karen, CPA FCCA ACA

Members of Audit and Review Committee

Jiang Hong Qi
Li Wei
Li Yao

Compliance Officer

Zhang Hui

Authorised Representatives

Wang An
Ng Man Yee Karen, CPA FCCA ACA

Auditors

Da Hua Certified Public Accountants LLP
Public Interest Entity Auditor recognised in accordance with the Financial Reporting Council Ordinance

Legal Advisers

As to Hong Kong Law
Baker McKenzie
As to PRC Law
Shandong Xinshiming Law Firm

Principal Bankers

China Construction Bank (Muping Branch, Yantai City)
Agricultural Bank of China (Muping Branch, Yantai City)
China CITIC Bank (Muping Branch, Yantai City)
HSBC Bank (China) Company Limited (Qingdao Branch)

A Share Registrar and Transfer Office in the PRC

China Securities Depository & Clearing Corporation Limited (CSDCC) Shanghai Branch
188 South Yanggao Road
Pudong District
Shanghai, China

H Share Registrar and Transfer Office in Hong Kong

Tricor Tengis Limited
54th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Registered Office and Principal Place of Business in the PRC

No. 18 Andre Avenue
Muping Economic Development Zone
Yantai City, Shandong Province, the PRC

Investors Relationship & Principal Place of Business in Hong Kong

Flat A, 2/F, Hong Kong Industrial Building
444-452 Des Voeux Road West
Shek Tong Tsui, Hong Kong
Telephone : (852) 2511-6988
Facsimile : (852) 2587-9166
Email address : andrehk@northandre.com

Company Homepage/Website

www.andre.com.cn

Share Listing

A Share: Shanghai Stock Exchange
Stock Abbreviation: N/A
Stock Code: 605198

H Share: The Stock Exchange of Hong Kong Ltd
Stock Abbreviation: Andre Juice
Stock Code: 02218

(The H shares of the Company (the "H Shares") were transferred and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (stock code: 02218) on 19 January 2011 and were de-listed from the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: 8259) on the same date)

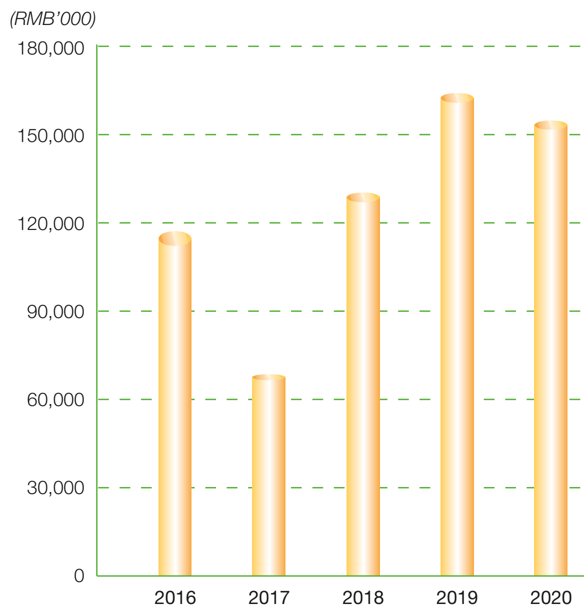
Financial Highlights

Results

	For the year ended 31 December				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Operating income	**842,020**	838,127	1,067,585	901,041	875,197
Operating profit	**153,340**	171,590	140,975	86,332▲	103,192▲
Profit before taxation	**151,940**	169,538	137,473	86,561▲	124,289▲
Net profit for the year	**151,778**	169,269	137,336	86,425▲	122,888▲
Attributable to:					
Equity shareholders of the Company	**151,778**	169,269	137,336	86,425▲	122,888▲
Non-controlling interests	**–**	–	–	–	–
Basic earnings per share	**RMB 0.41**	RMB 0.47	RMB 0.38	RMB 0.24▲	RMB 0.33▲
Basic earnings per share after deduction of extra-ordinary gain/loss	**RMB 0.23**	RMB 0.44	RMB 0.36	RMB 0.23▲	RMB 0.27▲
Weighted average earnings on net assets (%)	**7.63**	9.17	7.95	5.19▲	7.59▲
Weighted average earnings on net assets after deduction of extra-ordinary gain/loss (%)	**4.33**	8.60	7.55	5.01▲	6.17▲

▲ Note: The assessment and deduction of input VAT is applicable to Baishui Andre Juice Co., Ltd. and Yongji Andre Juice Co., Ltd., subsidiaries of the Group since January 2014 and December 2014, respectively. For the purchases of agricultural raw materials which applied the assessment and deduction of input VAT as approved by the local tax authorities, when the agricultural products are purchased, the value of the raw materials recorded in the accounts are inclusive of tax. When the assessed input VAT deduction amount is approved by the tax authorities and before 1 January 2018, the Group calculated and allocated the inventory cost based on raw material costs for which the approved input VAT amount was excluded. This accounting treatment would have an impact on the operating cost for the relevant years and inventory at the end of the relevant reporting period. From 1 January 2018 onwards, in order to simplify the cost calculation, the Group directly deducted the approved deductible input VAT amount from the operating costs for the current period.

Profit Attributable to Equity Shareholders of the Company



Financial Highlights

Assets and Liabilities

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**2,224,360**	2,039,682	1,921,459	1,981,803▲	2,156,387▲
Total liabilities	**116,568**	127,209	142,455	304,335	505,159
Total equity attributable to equity shareholders of the Company	**2,107,792**	1,912,473	1,779,004	1,677,468▲	1,651,228▲
Non-controlling interests	**–**	–	–	–	–

Total Equity Attributable to Equity Shareholders of the Company

▲ Adjusted. Details please see explanation note on page 3.

Chairman's Statement

I am pleased to submit to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2020.

Annual Results and Review

The Group recorded a turnover of approximately RMB842,019,695 for the year ended 31 December 2020 as compared to approximately RMB838,127,337 for the corresponding period last year, representing a slight increase of approximately 0.46%. The gross profit margin was 23.87% for the year ended 31 December 2020 while the gross profit margin for the corresponding period of previous year was approximately 31.53%. The profit attributable to Shareholders was approximately RMB151,778,272 for the year under review, representing a decrease of approximately RMB17,490,452 over the corresponding period of previous year of approximately RMB169,268,724. Basic earnings per share was approximately RMB0.41.

During the year, the sales price of juice concentrate decreased slightly due to the pandemic, and the impact of the tariff increase in the United States gradually diminished, as a result of which the Company's exports to the United States resumed growth, resulting in a slight increase in total sales volume of the Company from last year and a slight increase in the Group's revenue from last year.

In 2020, with the appreciation of Renminbi against US Dollar and the decrease of the Group's gearing ratio year by year, the Group continued to enhance its cooperation with renowned domestic and foreign financial institutions and started forward exchange settlement business in a timely manner to effectively reduce the exchange rate risk of the Group so as to better promote the development of its business.

In relation to expanding market sales, with the successful listing of the Company's A shares on the main board of the Shanghai Stock Exchange this year, the Company became the first "A+H" dual-listed enterprise in the juice beverage industry in China, and its visibility in the industry has been significantly enhanced. The Group continued to maintain high quality and stable business relationships with certain renowned beverage manufacturers in China and overseas and developed new quality customers with broadened sales channels. Both domestic sales and sales in America recorded an increase as compared with last year.

In respect of research and development, the Group devoted itself to the following projects in 2020:

1. research and development of fruit and vegetable beverage and a series of differentiated end products with distinguishing flavor;

2. development of new products of honey tea and instant crisps with distinguishing flavor using apple and lemon as ingredients;

3. continuing key technology research on energy saving and emission reduction in the processing of juice concentrate;

4. research and development of key technologies for efficient processing of distinguishing fruits and vegetables grown in the North;

5. optimization of juice processing process to maintain the stability of juice color value and ultrafiltration membrane flux;

6. filing of two enterprise standards;

7. the Company brand being selected as one of the 2020 top 100 brands in China's apple industry organized by China Apple Industry Association; and

8. detection, sampling, test and analysis on mountain springs around Longquan town, the birthplace of Quanzhen Taoism in the Kunyushan Mountains and recognition of the water source indicators as meeting the standards of quality mineral water.

Analysis of the Industry and Our Market Share

In 2020, the export volume of China's apple juice concentrate was approximately 420,395 tonnes, representing an increase of 9% as compared to approximately 385,600 tonnes in 2019. Although the Chinese apple juice concentrate industry has only begun mass production since the late 90's of last century, the industry grew at a tremendous rate and has claimed a global market share of over 50% within just a decade, owing to the abundant apple supplies in China. Europe is the second main production site of apple juice concentrate in the world following China. Hence, the export volume and price of China's apple juice concentrate is affected not only by the global economy, but also the production and sales of apple juice concentrate in Europe. Starting from 2014, due to the increasing competition of producers of apple juice concentrate in Europe and low growth pace of the global economy, the international market price of apple juice concentrate started to decrease until 2017. Since 2018, the production of apple juice concentrate has decreased due to the reduction of apple supply in China. Changes in the demand and supply relationship in the international market of apple juice concentrate caused the recovery of the international market price of apple juice concentrate. In 2019, under both the impact of the Sino-US trade friction and the significant advance purchases by customers in US for the avoidance of tariff in 2018, the volume of apple juice concentrate exported to the US dropped significantly, resulting in the decrease in the total export volume of apple juice concentrate in China. In 2020, the export volume from China to US recovered and grew again.

Since apple juice itself is nutritious, increasing pursuit for green and healthy food of the general public is bound to bring more room for development for the apple juice market. Currently, 80% of the world's apple juice consumption market is concentrated in the developed countries with solid demands and steady growths. In these major consumer countries, we already have relatively fixed market shares and customer base. Meanwhile, due to the dense population and rising public awareness on dietary nutrition, natural apple juice will undoubtedly be one of the best options for people in the developing countries. This gradually maturing consumer market will surely become a take-off area for future apple juice consumption. In the long run, healthy and pure natural juice will become more and more popular.

Being a leader in China's apple juice concentrate industry and through our proactive and visionary leadership, we will capitalize on the capital and administrative expertise of the Company, to gradually expand its domestic market share and stabilize its leading export position in the industry, so as to expedite the healthy development of the Company.

Prospects and Outlook

As a mild raw material, apple juice concentrate can be mixed with different fruit and vegetable juice, to fulfill the market requirements like low cost and good taste. Therefore the demand of apple juice concentrate is solid and steady. Meanwhile, with the gradual implementation of specific measures favorable to the agricultural industry under the PRC government's macroeconomic policies as well as the gradual improvement of various relevant PRC laws and regulations, the Group will enjoy better development and financing opportunities. With the Company becoming the first "A+H" dual-listed enterprise in the juice beverage industry in China, the Company's visibility has been significantly enhanced. On this basis, in order to pursue the Group's scale development, the Group will continue to make further efforts to broaden its market, enhance its production capacity, timely launch and increase the research and development, production and sales of apple fructose, pear fructose, freshly squeezed juice (NFC juice) (including peach, strawberry, apple and other product categories), drinking water and other products, further diversify products, expand sales and disperse markets and broaden financing channels.

In terms of juice production capacity, volatility in the industry will force some small and medium domestic enterprises out of the market. Moderate reshuffling in the industry will favour industry consolidation and improve industry competition environment. The Group aims to further increase its annual juice concentrate production capacity and to strengthen its leading position in the industry, to rationally adjust the Group's existing production capacities according to changes in the sources of raw materials and to extend the research on different types of juice concentrate and production capacity. On research and development, in 2021, the Group will continue to exploit fruit and vegetable beverage, drinking water and a series of differentiated end products with distinguishing flavor; conduct research on key technologies of energy saving and emission reduction in the process of juice processing; develop key technologies for the efficient processing on distinguishing fruits grown in the North; and optimize juice processing technique.

At present, the Group has a sound financial base. The Group is also well positioned to take advantage of the State's policy on development of new villages and agriculture with a view to developing rural villages, enriching farmers and expanding domestic demands. The board (the "Board") of directors of the Company ("Directors") and I have full confidence in the Group's future development. Our employees will continue to support the Group and to contribute to the Group's continuous and steady development.

Chairman's Statement

Dividend

In 2020, the Company repurchased 10,700,000 H shares with total funds of HK$91,857,792 (including share repurchase consideration, stamp duty and commission). To maximise the interests of the Company and its shareholders as a whole, the Board intends to recommend payment of 2020 dividend of RMB0.5 per ten shares at the forthcoming annual general meeting.

Appreciation

During the reporting period, in the face of the pandemic and the adverse effects of rising shipping rates and Renminbi appreciation in the second half of the year, the Company increased its production and operation control and market development efforts, resulting in a modest increase in sales revenue. Meanwhile, the Company made timely forward exchange settlements and securities investments, reducing exchange rate losses and increasing gains from fair value changes, thus maintaining the Company's net profit at a higher level.

As one of the major apple juice concentrate producing countries, China has significant influence and strong negotiation power in the international market. The Directors strongly believe that the Company will have a brighter prospect, given that some small and medium domestic enterprises are expected to exit from market competition in the face of the volatility in the industry, vaccines is being promoted, the international market is gradually recovering and the Company enjoys increased visibility by becoming a dual-listed "A+H" company in the juice beverage industry in China. On behalf of the Board, I would like to express my sincere gratitude to all the investors, loyal customers and suppliers for their appreciation and unfailing support to the Group.

Yantai North Andre Juice Co., Ltd.*
Wang An
Chairman

30 March 2021

* *For identification purpose only*

Management Discussion and Analysis

Financial Review

Major Operating Performance

For the year ended 31 December 2020, the sales revenue of the Group was approximately RMB843,019,695, representing a slight increase of approximately 0.46% as compared to approximately RMB838,127,337 for the corresponding period last year. During the year, the sales price of juice concentrate decreased slightly due to the global pandemic, while the impact of the tariff increase in the United States gradually diminished and the Company's exports to the United States resumed growth, resulting in a slight increase in total sales volume of the Company from last year and a slight increase in the Group's revenue from last year.

During 2020, with the appreciation of Renminbi against US Dollar and the decrease of the Group's gearing ratio year by year, the Group continued to enhance its cooperation with renowned domestic and foreign financial institutions and started forward exchange settlement business in a timely manner to effectively reduce the exchange rate risk of the Group so as to better promote the development of its business.

For the year ended 31 December 2020, the Group's gross profit was approximately RMB201,024,167 and the gross profit margin was approximately 23.87%. For the corresponding period in 2019, the gross profit was approximately RMB264,284,664 and gross profit margin was approximately 31.53%. Both of the total gross profit and the gross profit margin for the year recorded a decrease, on the one hand due to the decline in product sales prices; on the other hand, due to the increase in the principal business cost for the period compared with the previous period. The Company included the freight, import and export declaration and warehousing costs into the principal business cost for the period. If the freight and other expenses of last year are transferred from selling and distribution expenses to principal business costs, the gross profit margin of previous period will be 26.69%.

For the year ended 31 December 2020, the Group's net profit was approximately RMB151,778,272, all of which was the net profit attributable to the owners of the parent company. As compared to approximately RMB169,268,724 for the corresponding period of last year, it decreased by RMB17,490,452 or 10.33%. The decrease in net profit was on the one hand due to the decrease in product sales prices as a result of the global pandemic; on the other hand, due to the significant increase in principal operating costs and finance costs due to the significant increase in shipping costs and the significant appreciation of the Renminbi in the second half of the year.

Analysis on Principal Businesses

1. ***Analysis of changes in related items of the income statement and the cash flow statement***

Item	2020 RMB	2019 RMB	Percentage change (%)
Operating income	842,019,695.12	838,127,336.92	0.46
Operating cost	640,995,527.94	573,842,672.89	11.70
Selling and distribution expenses	4,371,025.15	44,780,834.09	-90.24
General and administrative expenses	54,939,899.19	54,272,803.11	1.23
Research and development expenses	7,907,103.54	2,416,544.70	227.21
Financial expenses	11,989,992.63	-6,467,940.00	285.38
Net cash flow from operating activities	211,246,862.12	11,358,184.26	1,759.86
Net cash flow from investing activities	-334,753,065.60	-33,081,725.47	-911.90
Net cash flow from financing activities	43,540,292.49	-84,913,080.00	151.28

For the year ended 31 December 2020, the operating income generated from principal businesses of the Group was approximately RMB835,579,859, representing a year-on-year increase of approximately 0.49%, and the principal businesses cost was approximately RMB638,702,439, representing a year-on-year increase of approximately 11.83%.

2. ***Analysis on income and cost***

The year-on-year increase in operating income and operating cost was mainly due to the increase in sales volume.

(1). Principal business by industry, product and region

Principal Business by Industry

By industry	Operating income *RMB*	Operating cost *RMB*	Gross profit margin *(%)*	Increase/ decrease in operating income over last year *(%)*	Increase/ decrease in operating cost over last year *(%)*	Increase/decrease in gross profit margin over last year *(%)*
Beverage manufacturing industry	789,445,563.29	609,057,510.71	22.85	-0.70	10.49	-7.81
Pomace manufacturing industry	46,134,296.10	29,644,928.34	35.74	26.24	48.80	-9.75
Total	835,579,859.39	638,702,439.05	23.56	0.49	11.83	-7.75

Principal Business by Product

By product	Operating income *RMB*	Operating cost *RMB*	Gross profit margin *(%)*	Increase/ decrease in operating income over last year *(%)*	Increase/ decrease in operating cost over last year *(%)*	Increase/decrease in gross profit margin over last year *(%)*
Different kinds of juice concentrate and essence	789,445,563.29	609,057,510.71	22.85	-0.70	10.49	-7.81
Pomace	46,134,296.10	29,644,928.34	35.94	26.24	48.80	-9.75
Total	835,579,859.39	638,702,439.05	23.56	0.49	11.83	-7.75

Principal Business by Region

By region	Operating income *RMB*	Operating cost *RMB*	Gross profit margin *(%)*	Increase/ decrease in operating income over last year *(%)*	Increase/ decrease in operating cost over last year *(%)*	Increase/decrease in gross profit margin over last year *(%)*
International market	570,276,808.87	–	–	5.33	–	–
Domestic market	265,303,050.52	–	–	-8.55	–	–
Total	835,579,859.39	–	–	0.49	–	–

Since the Company conducted cost accounting according to product varieties and categories, and no cost allocation or estimation for customers was done, so only income but not the corresponding cost, gross profit margin and changes by region was shown.

Type	Operating income *RMB*	Year-on-year *(%)*	Operating cost *RMB*	Year-on-year *(%)*	Gross profit margin *(%)*	Year-on-year *(%)*
By region						
America	208,549,691.08	149.69	–	–	–	–
Asia	422,520,914.32	-16.27	–	–	–	–
Europe	69,398,273.86	-45.52	–	–	–	–
Other regions	135,110,980.13	16.47	–	–	–	–
Sub-total	835,579,859.39	0.49	–	–	–	–

Descriptions:
In America, the operating income recorded a year-on-year increase, mainly due to the fade-out of the effect of imposition of tariffs for goods export to the America, the resumption of growth in sales to the America and the increase in sales volume.

In Asia, the operating income recorded a decrease, mainly due to the decrease in sales volume.

In Europe, the operating income recorded a decrease, mainly due to the decrease in sales volume.

In other regions, the operating income recorded an increase, mainly due to the increase in sales volume.

(2). Analysis on production and sales volume

Major product	Unit	Production volume	Sales volume	Inventory volume	Increase/decrease in production volume over last year (%)	Increase/decrease in sales volume over last year (%)	Increase/decrease in inventory volume over last year (%)
Apple juice	tonnes	99,200	92,100	102,600	-16.13	2.91	8.11

Descriptions on production and sales volume

The decrease in production volume was mainly due to the undersupply of the ingredient of original production region in western China caused by natural disasters in 2020, forcing the production to stop in advance.

The increase in sales volume was mainly due to the fade-out of the effect of imposition of tariffs for goods export to the U.S. and the resumption of growth in sales to the U.S.

(3). Analysis on cost

By industry

By industry	Cost item	Amount for the period *RMB*	Percentage of total costs for the period *(%)*	Amount for the corresponding period of last year *RMB*	Percentage of total costs for the corresponding period of last year *(%)*	Percentage change in the amount for the period as compared to the corresponding period of last year *(%)*	Description
Beverage manufacturing industry	Ingredient	416,026,901.41	67.40	530,694,257.48	71.08	-21.61	Mainly due to the decrease in the acquisition price and volume of the ingredient
Pomace manufacturing industry	Ingredient	1,658,947.57	0.27	1,809,714.20	0.24	-8.33	Mainly due to the decrease in processing volume

By product

By product	Cost item	Amount for the period *RMB*	Percentage of total costs for the period *(%)*	Amount for the corresponding period of last year *RMB*	Percentage of total costs for the corresponding period of last year *(%)*	Percentage change in the amount for the period as compared to the corresponding period of last year *(%)*	Descriptions
Different kinds of juice concentrate and essence	Iingredient	416,026,901.41	67.40	530,694,257.48	71.08	-21.61	Mainly due to the decrease in the acquisition price and volume of the ingredient
Pomace	Ingredient	1,658,947.57	0.27	1,809,714.20	0.24	-8.33	Mainly due to the decrease in processing volume

Cost item	Amount for the period *RMB*	Amount for the previous period *RMB*	Percentage of total costs for the period *(%)*	Year-on-year *(%)*
Ingredient cost	417,685,848.98	532,503,971.68	67.67	-21.56
Labor cost	20,145,936.47	20,008,564.19	3.26	0.69
Manufacturing cost	72,434,713.17	77,263,326.81	11.74	-6.25
Total	510,266,498.62	629,775,862.68	82.67	–

Descriptions

The year-on-year decrease in ingredient cost is mainly due to the decrease in the acquisition price and volume of raw fruits during the reporting period.

3. *Expense*

Item	Amount for the period *RMB*	Amount for the corresponding period of last year *RMB*	Increase/ decrease *RMB*	Percentage change *%*
Selling and distribution expenses	4,371,025.15	44,780,834.09	-40,409,808.49	-90.24
General and administrative expenses	54,939,899.19	54,272,803.11	667,096.08	1.23
Research and development expenses	7,907,103.54	2,416,544.70	5,490,558.84	227.21
Financial expenses	11,989,992.63	-6,467,940.00	18,457,932.63	285.38

The year-on-year decrease in the selling and distribution expenses was mainly due to the transfer of freight, import and export declaration and storage fees amounting to approximately RMB55,320,422 to the principal business cost.

The year-on-year increase in the general and administrative expenses was mainly due to the exemption and reduction of social insurance contributions by the government during the reporting period, which resulted in a decrease in social insurance contributions of the Company of approximately RMB4,389,314. Meanwhile, the production volume in the major apple plants in China reduced for the year, forcing the production of juice concentrate in the whole industry to stop earlier than last year, which resulted in an increase in production cessation fee and repair expense of the Company by approximately RMB5,540,042 over the corresponding period of last year.

The year-on-year increase in the research and development expenses was mainly due to the increase in investments to the scientific research during the reporting period.

The year-on-year increase in financial expense was mainly due to the significant appreciation in the Renminbi in the second half of the year during the reporting period, as a result of which the Company recorded an exchange loss of approximately RMB17,873,618 for the year, while it recorded an exchange revenue of approximately RMB1,235,955 last year.

4. ***Research and development investment***

(1). Description on research and development investment

Expensed research and development investment during the period	RMB7,907,103.54
Total research and development investment	RMB7,907,103.54
Proportion of total research and development investment to operating revenue	0.94%
Number of research and development staffs	49
Proportion of research and development staff to the total staffs	5.66%

In 2020, the Company's R&D center focused on the following aspects of research and development work:

1. research and development of fruit and vegetable beverage and a series of differentiated end products with distinguishing flavor;

2. development of new products of honey tea and instant crisps with distinguishing flavor using apple and lemon as ingredients;

3. continuing key technology research on energy saving and emission reduction in the processing of juice concentrate;

4. research and development of key technologies for efficient processing of distinguishing fruits grown in the North;

5. optimization of juice processing process to maintain the stability of juice color value and ultrafiltration membrane flux;

6. filing of two enterprise standards;

7. the Company brand being selected as one of the 2020 top 100 brands in China's apple industry organized by China Apple Industry Association; and

8. detection, sampling, test and analysis on mountain springs around Longquan town, the birthplace of Quanzhen Taoism in the Kunyushan Mountains and recognition of the water source indicators as meeting the standards of quality mineral water.

5. *Cash flows*

Item	2020 RMB	2019 RMB	Increase/decrease RMB	Percentage of increase/decrease (%)	Description
Proceeds from other operating activities	57,643,392.90	12,882,111.92	44,761,280.98	347.47	Mainly due to the fact that Yantai Longkou Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, received the grants of RMB45,000,000 for new factory construction during the reporting period
Payments for other operating activities	39,607,482.89	65,322,813.01	-25,715,330.12	-39.37	Mainly due to the transfer of freight, import and export declaration and storage fees to the principal business cost during the reporting period
Investment returns received	15,868,362.17	10,063,052.11	5,805,310.06	57.69	Mainly due to the gains on forward foreign exchange contracts and income received from wealth management products during the reporting period
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	46,499,549.31	–	46,499,549.31	–	Mainly due to the fact that Yantai Longkou Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, received the grants for its factory relocation
Proceeds from other investing activities	6,248,857.07	4,529,493.63	1,719,363.44	37.96	Mainly due to the increase in the interest income during the reporting period
Proceeds from investors	128,964,150.94	–	128,964,150.94	–	Mainly due to the fact that the Company successfully issued its A Shares on the Shanghai Stock Exchange and received the proceeds from shares issuance at premium
Proceeds from other financing activities	–	1,050,000.00	-1,050,000.00	-100.00	Mainly due to the interest subsidiary received from the government last year
Repayment for debts	–	50,090,000.00	-50,090,000.00	-100.00	Mainly due to the fact that the Company did not have any borrowings at the end of the reporting period
Payments for dividends, profits or interests	–	35,873,080.00	-35,873,080.00	-100.00	Mainly due to the fact that the Company did not declare any dividends as a result of its A-share listing during the reporting period
Payments for other financing activities	85,423,858.45	–	85,423,858.45	–	Mainly due to the repurchase of H Shares and payment of listing agency fee by the Company during the reporting period
Effect of foreign exchange rate changes on cash and cash equivalents	-6,216,247.73	2,000,317.01	-8,216,564.74	-410.76	Mainly due to the appreciation in Renminbi against US dollars during the reporting period

6. *Extraordinary gain or loss items and amounts*

Extraordinary gain or loss item	Amount for 2020 *RMB*	Notes (if applicable)	Amount for 2019 *RMB*	Amount for 2018 *RMB*
Gains or losses on disposal of non-current assets	-185,475.58		31,187.00	222,456.00
Government grant recognised in profit or loss other than those closely related to the Company's normal operations, and entitled to fixed amounts or quantities on a continuous basis according to national standards	2,875,789.81		2,708,962.00	2,453,870.00
Profit and loss of fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other creditor's rights investment other than the effective hedging business related to the Company's normal operations	59,820,589.06		10,063,052.00	7,384,819.00
Non-operating income and expenses other than those stated above	-1,205,900.86		-2,051,623.00	-3,501,907.00
Other profit or loss items falling within the definition of non-recurring profit or loss	4,389,314.09	Exemption and reduction of social insurance contributions in this period	–	–
Effect of income tax	–		-241,284.00	371,923.00
Total	65,694,316.52		10,510,294.00	6,931,161.00

7. *Analysis on assets and liabilities*

Description on assets and liabilities

Name of items	Amount at the end of the period *RMB*	Percentage of the amount at the end of the period over total assets *(%)*	Amount at the end of the previous period *RMB*	Percentage of the amount at the end of the previous period over total assets *(%)*	Percentage changes in amount at the end of the period as compared to that of the end of the previous period *(%)*	Description
Cash at bank and on hand	187,978,630.88	8.45	274,050,303.01	13.44	-31.41	1
Financial assets held for trading	287,617,293.20	12.93	–	–	–	2
Bills receivable	5,572,474.00	0.25	2,944,117.50	0.14	89.27	3
Prepayments	2,435,171.66	0.11	4,676,889.68	0.23	-47.93	4
Other receivables	1,293,631.96	0.06	86,037,196.73	4.22	-98.50	5
Other current assets	124,666,330.03	5.60	20,342,931.55	1.00	512.82	6
Construction in progress	6,282,281.59	0.28	2,442,322.07	0.12	157.23	7
Accounts payable	63,179,732.56	2.84	50,333,298.68	2.47	25.52	8
Contract liabilities	1,359,029.04	0.06	1,068,780.55	0.05	27.16	9
Employee benefits payable	20,521,257.56	0.92	15,698,188.49	0.77	30.72	10
Taxes payable	4,069,730.55	0.18	2,667,442.99	0.13	52.57	11
Deferred income	12,175,430.80	0.55	39,000,000.00	1.91	-68.78	12
Capital reserve	118,791,715.23	5.34	17,291,715.23	0.85	586.99	13
Treasury shares	77,959,708.11	3.50	–	–	–	14

1. The decrease in the cash at bank and on hand was due to the fact that the Company used the idle fund in a reasonable manner for wealth management during the reporting period;

2. The increase in the financial assets held for trading was mainly due to the fact that the parent company used the idle fund to purchase wealth management products;

3. The increase in the bills receivable was mainly due to the fact that the Company received the bank acceptance bills from some clients during the reporting period;

4. The decrease in the prepayments was mainly due to the transfer of prepayments to other non-current assets at the end of the reporting period;

5. The decrease in other receivables was due to the fact that Yantai Longkou Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, received the compensation according to the land resumption agreement;

6. The increase in other current assets was mainly due to the increase in the purchase of other short-term creditor's rights investment by the Company during the reporting period;

7. The increase in the construction in progress was mainly due to the fact that the relocation of new cold wind warehouse of Yantai Longkou Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, was not fully settled and used;

8. The increase in the accounts payable was mainly due to the fact that the end of reporting period was the production period, the purchase of raw and auxiliary materials, packaging materials and fuel and power were relatively significant;

9. The increase in the contract liabilities was mainly due to the increase in advance collection from sales contracts of specific customers during the reporting period;

10. The increase in the employee benefits payable was mainly due to the fact that the year-end bonus of the year had not been distributed at the end of the period;

11. The increase in the taxes payable was mainly due to the increase in VAT payable as a result of sales growth during the reporting period;

12. The decrease in the deferred income was mainly due to the fact that the construction in progress was offset by Yantai Longkou Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company;

13. The increase in capital reserve was mainly due to the fact that the Company successfully issued its A Shares on the Shanghai Stock Exchange and received the proceeds from shares issuance at premium;

14. The increase in treasury shares was mainly due to the fact that the H Shares repurchased by the Company during the reporting period had not been cancelled at the end of the period.

8. Analysis on major subsidiaries and investee companies

Name of companies	**Total asset** *RMB*	**Net asset** *RMB*	**Net profit** *RMB*
Baishui Andre Juice Co., Ltd.	500,509,458.38	474,210,265.66	35,467,743.61
Yantai Longkou Andre Juice Co., Ltd.	238,527,191.32	201,275,706.03	15,145,512.31
Xuzhou Andre Juice Co., Ltd.	216,200,472.02	209,731,860.40	14,553,846.07
Andre Juice Co., Ltd.	221,052,739.03	192,348,320.61	20,100,448.61
North Andre Juice (USA) Inc.	77,167,851.74	8,377,224.05	2,803,435.37
Dalian Andre Juice Co., Ltd.	167,680,075.38	153,044,525.20	11,623,360.07
Yantai Andre Juice Co., Ltd.	111,178,791.53	108,525,906.64	-621,124.13
Yongji Andre Juice Co., Ltd.	265,433,836.31	190,970,431.75	33,873,976.76
Anyue Andre Lemon Industry Technology Co., Ltd.	85,007,422.69	8,910,713.61	1,609,788.98
Liquan Yitong Juice Co., Ltd.	205,284,751.15	198,916,473.56	10,761,956.73
Yantai Andre Drinking Water Co., Ltd.	3,300,000.00	–	–

Business Review

Enlarging Market and Diversifying Products

During 2020, by adapting to the market demand and leveraging on its management and capital advantages as well as its advanced production technology, superb product quality and comprehensive customer services, the Group maintained steady growth in markets. With years of continuous efforts, the Group has expanded its sales network to major countries and regions in the world, including the US, Japan, Europe, Oceania, Africa, South America and Chinese domestic market. At the same time, as the Company became the first "A+H" dual-listed enterprise in the juice beverage industry in China, the Company's visibility in the industry has been significantly enhanced and the Company will take advantage of this opportunity to continue to focus on the development of new products, small type products markets, as well as the customer base. The Group hopes to continue to expand its market places and boost its market share.

Expanding Domestic Sales Market

The Group continued to maintain close and stable business cooperation relationships with certain renowned beverage processors and manufacturers in China and has developed new quality customers with broadened sales channels. The Group started sales activities with the objective to maintain and increase market share, understood the need of the market and customers in a timely manner, analyzed precisely and responded reasonably to every price quote, and processed the customer needs and market information instantly to get more customer orders.

Optimising Customer Base

While expanding its market places and enlarging its market shares, the Group also leveraged on the prime quality of its products to optimise its profile of customer base continuously. The Group also explored actively for new customers. Through exhibitions, customers' visits and other channels, the Group sought to increase its exposure to new customers and got more chances for cooperation, maintained close relationship and communication with customers and provided optimized service to customers. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers of the world.

Improving Management System and Efficiency

The Group improved the operational control system and assessment and allocation system with market as orientation, optimized the allocation of the Company's assets, human resources and technology by prioritizing efficiency. With performance as the guiding principle, the Group promoted the performance assessment of all employees to ensure that income can be increased or decreased and that rewards and punishments are clearly defined, so as to fully mobilize the enthusiasm of all employees. Meanwhile, the Group further improved the corporate governance structure to meet the trend of continuous growth of enterprise scale and improve management efficiency.

Future Prospects

Enlarging Market and Diversifying Products

Currently, the Group has a relatively stable market shares and customer base in the world's major consumer areas of apple juice concentrate, including the US, Japan and Europe, Oceania, African countries. In addition to consolidating the existing market shares and customer base and resuming exports to US customers in the new year, the Company will be committed to developing multiple emerging markets with a view to making breakthroughs in this aspect. Due to the satisfactory development at the present stage, the Company will expand its product range with apple juice concentrate as the foundation, while increasing the production of niche products, such as peach juice and strawberry juice and adding drinking water products, so as to enrich its product range, increase income and meet the demands of various customers.

Increasing Market Development Efforts and Promoting Customer Confidence

With the Company becoming the first "A+H" dual-listed company in the juice beverage industry in China, its visibility in the industry has been significantly enhanced. Under the premise of maintaining the overseas sales, the Company will boost the domestic sales by integrating its available resources and optimizing the sales channels, in order to increase the ratio of the domestic sales. At the same time, the Company will combine its products, brand and services using the current sales channels, to provide quality services and satisfy the customers' needs. In connection with the niche product project, it will provide a wide range of products to become a one-stop product supplier. With its excellent product quality, premium services and large variety of products, it will further enhance the confidence of and deepen the cooperation with customers.

Expanding Financing Channels to Promote Sustainable Development

In respect of future financing, the Company will raise funds in a timely manner from various means, such as private placement, placing, issuance of convertible bonds, or bank borrowings according to its actual situation and development needs, in order to promote the sustainable development of the Company.

Research and Development

In 2021, the Group will devote itself to the research and development of the following projects:

The Group will continue to develop fruit and vegetable juice beverages, drinking water, differentiated end products with distinguishing flavor, conduct research on key technologies for energy saving, consumption reduction and emission reduction in the process of processing juice, research and development on key technologies for efficient processing of distinguishing fruits and vegetables grown in the North and conduct optimization of juice processing processes.

Possible Risks and Uncertainties

1. **Risk of undersupply of the major ingredient**

   The Company's main products are apple juice concentrate and apple fructose (decolorized and deacidified apple concentrate), whose main ingredient is apple, and the purchase cost of apple accounts for approximately 65% of the cost of the above products. The price of apple is affected by climate conditions, supply and demand, and many other factors. In 2020, due to natural disasters such as freezing and hailstorms, apple production in western production areas such as Gansu and Shanxi was reduced. Therefore, ingredient acquisition competition was still relatively fierce in 2020. Overall, the volatility of ingredient fruit price is one of the main factors affecting the Company's operating results.

   Countermeasures: With years of experience in the industry, strong capital strength and accurate analysis of the situation, the Company keeps an eye on the industry dynamics every day during the acquisition season and adjusts its acquisition strategy in a timely manner. Making full use of the advantages of each subsidiary in the major production areas of ingredient fruit, the Company is able to balance the fluctuation of ingredient prices and control production costs effectively. At the same time, the Company's strong scientific and technological strength as well as excellent technical advantages have improved the production efficiency of the Company, which not only effectively protects the quality of the Company's products, but also reduces the Company's production costs.

2. **Risk of uncertainty in the business environment due to COVID-19 outbreak**

   As the COVID-19 outbreak occurred after the seasonal production at the beginning of 2020 and with the effective control of the COVID-19 outbreak in China, it did not affect the production of the Company. However, the occurrence of the pandemic has caused uncertainty in the future business environment of the Company. The risk of delay in delivery and the risk of increase in transportation costs may be caused by poor logistics, the risk of decrease in demand for the Company's products or the risk of delay in orders may be caused by downstream customers whose production operations are affected by the pandemic, and the risk of increase in bad debt provision for the Company's accounts receivable may be caused by the impact of the pandemic on the repayment ability of individual small and medium-sized customers in China.

   Countermeasures: The Company has been closely monitoring the impact of the development on its business and has formulated contingency measures, which include: increasing logistics and transportation options; negotiating with customers on delivery schedules; on the one hand, continuously monitoring the operating conditions of domestic and overseas customers, and tracking the payment of customers every day so as to avoid the risk of default in the payment of customers; on the other hand, based on the principle of prudence, increasing the standard for the provision of expected credit impairment loss rate at the end of the reporting period in order to counteract the adverse impact of the pandemic.

3. **Risks of China-U.S. trade friction**

During the reporting period, trade disputes between the U.S. and China continued. On 24 September 2018, the U.S. imposed a tariff on approximately US$200 billion of imports from China, including all fruit and vegetable juice concentrates like apple juice concentrate. Overall, since the U.S. is one of the countries with the highest demand for apple juice concentrate, 25% increase in the U.S. tariff makes it more difficult for Chinese juice companies to operate and increases the uncertainty of product sales.

Countermeasures: Based on the Group's accurate judgment of the global trade system of juice concentrate, the Company has adjusted its sales strategy to reduce its dependence on the U.S. market, to reduce the risk of trade friction between the U.S. and China, and to further seek market diversification. The Company has been proactive in emerging markets, increasing its efforts to explore markets and actively seeking new customers, increasing opportunities for communication and cooperation with new customers through various channels such as exhibitions, intermediary introductions and customer visits. For contracts currently being executed, the Company maintains close and good communication with customers to provide the best quality service to ensure smooth execution of orders.

4. **Risk of relying on a single product**

The Company is principally engaged in the processing, production and sales of juice concentrate, and most of the products are sold abroad. Although the current demand for apple juice concentrate is stable around the globe, the Company's profit sources are largely dependent on a single variety of apple juice concentrate, and fluctuations in the market price of apple juice concentrate will adversely affect the Company's production and operations.

Countermeasures: The Company has adjusted its strategy to reduce its reliance on juice concentrate products and further seek product sales diversification. The Company timely launched and increased the research and development, production and sales of apple fructose, pear fructose, freshly squeezed juice (NFC juice) (including peach, strawberry, apple and other product categories), drinking water and other products to further diversify products, such as apple fructose. With the new products launched by the domestic famous beverage processing enterprises and their hot sales, sales are growing year by year.

Charge of Assets

The Group has no assets charged as at 31 December 2020.

Contingent Liabilities

Saved as disclosed in Note XI.(II) to the Financial Statements, the Group has no contingent liabilities as at 31 December 2020.

Foreign Exchange Exposure

The operating revenue of the Group is partly denominated in US Dollars. It is the practice of the Group to convert its operating revenue denominated in US Dollars to Renminbi to finance 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 Renminbi denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Capital Commitment

For the capital commitment of the Group, please refer to Note XIII. (I). 3 to the Financial Statements.

Capital Structure

The H Shares were listed on the Growth Enterprise Market of the Hong Kong Stock Exchange (the "GEM") on 22 April 2003. On 19 January 2011, the H Shares were transferred and listed on the Main Board of the Hong Kong Stock Exchange (the "Main Board") and de-listed from the GEM. On 18 September 2020, the Company issued 20,000,000 A Shares on the Shanghai Stock Exchange and its domestic shares were listed on the Shanghai Stock Exchange on the same date. The capital of the Company comprises only ordinary shares (comprising A Shares and H Shares). Details of the share capital of the Company are set out in Note VI.23 to the Financial Statements.

Liquidity and Financial Resources

The Group generally financed its operations and investing activities by internally generated financial resources and bank loans. As at 31 December 2020, the Group had no outstanding bank loans. The Directors consider that the Group has sufficient financial resources to meet its ongoing operation requirements.

Gearing Ratio

As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB187,978,631. The Group's gearing ratio as at 31 December 2020 was approximately 5.24% (2019: approximately 6.24%), which was calculated by dividing the Group's total liabilities of approximately RMB116,568,431 (2019: RMB127,209,339) by the total assets of approximately RMB2,224,359,551 (2019: RMB2,039,681,896).

Environmental Policies

The details of environmental, social and governance policies and performance of the Group will be disclosed in the 2020 Environmental Social and Governance Report to be issued by the Company in accordance with Appendix 27 of the Hong Kong Listing Rules.

Directors

Executive Directors

Mr. Wang An (王安), aged 58, is the chairman of the Board and an executive Director. Mr. Wang has been a Director since 26 June 2001. Mr. Wang is a well known private entrepreneur in the PRC. Mr. Wang has received the following awards/recognitions: one of the top ten Outstanding Youths Entrepreneurs in Shandong Province, the medal of "Labor Model of the Nation", an Advanced Individual of the United Front (統戰系統先進個人), an Outstanding Contributor to the Development of Socialism with Chinese Characteristics in Shandong Province (山東省優秀中國特色社會主義事業建設者), a Top Ten Outstanding and Influential Individual in the Agricultural Industry of Shandong Province (山東省農業產業化最具影響力十大傑出人物), a Star of Hope in the 30 Years' of Reform and Opening in Yantai (烟台改革開放三十年「希望之星」), an Influential and Outstanding Private Entrepreneur in Yantai to Commemorate the 60th Anniversary of the Establishment of the People's Republic of China (紀念中國成立60週年影響烟台優秀民營企業家), a Touching Character in Yantai in the 40 Years' of Reform and Opening in Yantai (烟台市改革開放四十週年「感動烟台人物」), one of the Top Ten Influential Persons of the Time Among the Top 60 Advanced Individuals in the Development of Socialism in Yantai of Shandong Province (山東(烟台)社會主義建設六十佳先進人物之十佳經濟風雲人物), and is a representative of Shandong Province to the 10th, 11th and 12th National People's Congress (人大代表). Mr. Wang graduated from the Institute of the PRC Central Communist Party (中共中央黨校函授學院) in June 1994. He was the general manager of China North Industries Corporation Yangma Resort (中國北方工業公司養馬島渡假村), vice-chairmen and general manager of China North Industries Corporation, Yantai Branch (中國北方工業烟台分公司) before joining the Group. Mr. Wang has the following social services appointments: member of China Business Advisory Council (中國工商理事會理事), member of the 1st Session of the Council of Yantai Charity Federation (烟台市慈善總會第一屆理事會理事). Mr. Wang An is a director of China Pingan Investment Holdings Limited and Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) ("Andre Group"), which are substantial shareholders of the Company. He joined the Company in March 1996 and has since been involved in the apple juice concentrate production industry. Mr. Wang is responsible for the overall management of the Group.

Mr. Zhang Hui (張輝), aged 48, is an executive Director and chief executive officer of the Company. Mr. Zhang has been a Director since 26 June 2001. He was the deputy general manager of Muping Foodstuff Industrial Company Limited (牟平食品工業有限公司) and Yantai Muping Xinping Land Development Material Company Limited* (烟台市牟平區新平土地開發物資有限公司) before joining the Group. Mr. Zhang joined the Company in December 1998 and has been involving in the juice production industry since then. Mr. Zhang has been supervisor of the production department, general manager of a subsidiary of the Company and the executive president of the Company. Mr. Zhang has received the following awards: Outstanding Member of the Communist Party (優秀共產黨員) of Muping District, The 9th Session Top Ten Outstanding Youth Entrepreneurs of Yantai city (第九屆烟台市十大傑出青年企業家) and the "May 1st Labor Award" of Yantai city. In March 2007, he was appointed as a member of the standing committee of the fruit and vegetable processing division (果蔬加工分會) of the Chinese Institute of Food Science and Technology. During his tenure as general manager of Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司), he was appointed as a representative of the Communist Party in Weinan city (中共渭南市黨代表) and was a standing member of the Chinese People's Political Consultative Committee of Baishui County. Currently, Mr. Zhang assists Mr. Wang An in the overall management of the Group. Mr. Zhang graduated from Shandong Agriculture University with a bachelor's degree in economics and management

* *For identification purpose only*

(majoring in corporate management) in July 1997. Mr. Zhang is an engineer.

Mr. Wang Yan Hui (王艷輝), aged 44, is an executive Director since 27 June 2012. Mr. Wang is a postgraduate and a certified public accountant in the PRC. Mr. Wang formerly worked as an accountant in Yantai Yangma North Hotel (烟台養馬島北方大酒店). Mr. Wang joined the Company in February 2001 and worked as accountant, chief accountant, deputy manager and manager in various subsidiaries of the Company. Mr. Wang is also the financial controller of the Group and the secretary to the Board.

Non-executive Director

Mr. Liu Tsung-Yi (劉宗宜), aged 54, is a non-executive Director. He has been a non-executive Director of the Company since 22 June 2009. Mr. Liu is the vice president of the business integration division of Uni-President Enterprises Corp., a company listed on the Taiwan Stock Exchange Corporation. He joined Uni-President Enterprises Corp. in July 1996, and was subsequently appointed as the head of its investment analysis section. In 2000, he was transferred to President International Development Corporation, and was responsible for its investments. He has also been the manager of the treasury division of Uni-President Enterprises Corp. since 2004. Currently, Mr. Liu is also the president/director of certain member companies of Uni-President Enterprises Corp., amongst which President Securities Corp. is a company listed on the Taiwan Stock Exchange; Tait Marketing and Distribution Co., Ltd. is a company listed on the Taipei Exchange. Mr. Liu has over 25 years of experience in banking, corporate finance, M&A, private equity, and business strategy. Before joining Uni-President Enterprises Corp., he was the head of the credit and loan unit of the Taipei branch of Cosmos Commercial Bank. Mr. Liu obtained a bachelor degree in laws from National Chengchi University in 1989, a master degree in business administration from National Taiwan University in 1991, and a degree of Doctor of philosophy in Finance from National Chung Hsing University in 2020.

Independent non-executive Directors

Mr. Jiang Hong Qi (姜洪奇), aged 54, is an independent non-executive Director since 25 May 2016. Mr. Jiang obtained a master degree in economics from Hangzhou Institution of Electronic Technology in March 1997. He is a certified public accountant in the PRC. From March 1997 to December 2002, Mr. Jiang served as a business manager and a senior manager of Shandong International Trust and Investment Corporation. Mr. Jiang joined the Company in 2003 and served as the chief financial officer of the Company from May 2003 to May 2010. From May 2007 to June 2010, he served as an executive Director and from July 2010 to June 2012 he served as a non-executive Director. Since May 2010, he serves as the vice president of the Creat Group Co., Ltd..

Mr. Li Wei(李煒), aged 66, is an independent non-executive Director since 25 May 2016. Mr. Li has approximately 15 years of working experience in corporate management. Mr. Li graduated from Beijing Institute for Foreign Trade in July 1980. From July 1986 to October 1989, Mr. Li served as the general manager of the import department at China North Industries Corporation. From October 1989 to October 1995, he served as the managing director of Silverkey Development Ltd. From October 1995 to October 1999, he served as the managing director of Silvercity International Development Ltd., and also served as a director of Raymond Industrial Ltd., a company listed on the Hong Kong Stock Exchange. Since February 2002, Mr. Li has successively been a commentator or host at several broadcasting stations and television stations in Hong Kong, Beijing and Shenzhen. Since August 2007, he serves as an independent non-executive director of VST Holdings Ltd., a company listed on the Hong Kong Stock Exchange. In addition, since May 2016, he serves as an independent non-executive director of Qianhai Health Holdings Ltd., a company listed on the Hong Kong Stock Exchange. Last but not least, he serves as an independent non-executive director of Transtech Optelecom Science Holdings Limited, a company listed on the Hong Kong Stock Exchange, since July 2017.

Mr. Li Yao (李堯), aged 58, is an independent non-executive Director since 26 June 2019. Mr. Li obtained an MBA degree at the Open University of Hong Kong in June 2005. Mr. Li worked at the chief engineer office of Committee of Construction of Nanchang City from July 1986 to August 1988; and at the project office of World Bank Highway Loan Project in Jiangxi Province from September 1989 to June 1993; from August 1995 to July 2003, Mr. Li served as the deputy general manager of the Investment Division of Creat Group Corporation; and from September 2003 to August 2013, he served as the executive director and vice president of Creat Tiancheng Investment Holdings Company; Mr. Li served as the chairman of Jiangxi Jiuhua Pharmaceutical Company Limited from October 2014 to May 2017; from June 2013 to May 2020, he served as the supervisor of Shanghai Pine Power Biotech Company Limited; he served as the executive director of Shanghai Ruisong Investment Company Limited since November 2009; since March 2015, he served as the chairman of Ningbo TCM Material Company Limited. Mr. Li served as the supervisor of Shanghai Raas Blood Products Company Limited since June 2007. Since May 2019, he served as the director of Guangdong JingYi Metal Co., Ltd..

Supervisors

Ms. Dai Liying (戴利英), aged 56, is a staff representative Supervisor since 16 March 2016. She is a member of the Communist Party of the PRC. She obtained a bachelor degree from Inner Mongolia Normal University in July 1988, majoring in pre-school education. From July 1988 to July 1997, she served as the principal of the Third Kindergarten of Inner Mongolia First Machinery Manufacturing Factory. From July 1997 to June 1998, she worked at Yantai Commercial and Trading Company Limited. She joined the Company in July 1998, and held various positions at the Company successively, including the deputy supervisor of administration department, the supervisor of administration department and the supervisor of human resources department of the Company. From 2014 to September 2019, she serves as the assistant to the general manager of the Company and the supervisor of the general management department of the Company.

Mr. Wang Zhiwu (王志武), aged 50, is a Shareholder-approved supervisor since 25 May 2016. He is a member of the Communist Party of the PRC with a high school qualification. From May 1990 to June 1997, he worked at Muping District Aquatic Products Supplying and Marketing Company. He joined the Company in July 1997. From January 2002 to February 2012, he held various positions at the Company successively, including the deputy supervisor of the production department of the Company, the supervisor of production department of the Company, the deputy general manager of a subsidiary of the Company and the vice president of the Company. From March 2012 to March 2017, he was the general manager of Binzhou Andre Juice Co., Ltd.. Since April 2017, he is the general manager of Yongji Andre Juice Co., Ltd., a subsidiary of the Company.

Mr. Wang Kun (王坤), aged 40, is an independent representative in the supervisory committee of the Company since 26 June 2018. Mr. Wang is a member of the Communist Party of the People's Republic of China. Mr. Wang Kun held high school diploma. Mr. Wang Kun joined the Company in August 2000. From July 2005 to July 2015, Mr. Wang Kun served successively as the vice director of the production department of a subsidiary of the Company, the director of the production department, assistant to the chairman of the Company and then as the vice general manager of a subsidiary of the Company. From August 2015 to February 2020, Mr. Wang Kun served as the chairman and general manager of Baishui Andre Juice Co., Ltd.* (白水安德利果蔬汁有限公司), a subsidiary of the Company and Liquan Yitong Juice Co., Ltd* (禮泉億通果蔬汁有限公司), a subsidiary of the Company. From March 2020, he is the deputy general manager of Yantai Hengtong Thermoelectricity Co., Ltd.* (烟台亨通熱電有限公司).

Senior Management

Mr. Wang An (王安), aged 58, is the chairman of the Board and an executive Director. Please refer to his biography under the sub- section headed "Directors".

Mr. Zhang Hui (張輝), aged 48, is an executive Director and chief executive officer of the Company. Please refer to his biography under the sub-section headed "Directors".

Mr. Wang Yan Hui (王艷輝), aged 44, is an executive Director, financial controller and secretary to the Board. Please refer to his biography under the sub- section headed "Directors".

Mr. Qu Kun Sheng (曲昆生), aged 52, has a bachelor's degree and is a senior engineer. He is a vice president and the chief engineer of the Company. Mr. Qu joined the Company in 1997 to engage in manufacturing technologies development, quality control and on-going supervision of production activities. He has successively presided over or organized the implementation of China's "10th Five-Year" Science and Technology Major Project "Research and Development of Key Technologies and Equipment for Deep Processing of Apple", "11th Five-Year Plan" Major Projects of the National Science and Technology Support Plan "Development and Industrialization Demonstration of Apple Pectin Products and High Quality Apple Juice", "12th Five-year plan" National Science Supporting Plan "Key Technology Research and Industrialization Demonstration of Comprehensive Apple Processing", National Agricultural Science and Technology Achievement Transformation Fund Project in 2013 and Major Independent Innovation Projects in Shandong Province in 2013, and many other national, provincial and municipal science and technology projects. He was the winner of the Second Class Award of National Science Advancement (國家科技進步二等獎), the winner of Gold Award of National Patent (國家專利金獎), the winner of the First Class Award of China National Agricultural Technology (神農中華農業科技一等獎) and the twice winner of the Third Class Award of Science Advancement of Shandong Province（山東省科技進步三等獎）. Currently, he is responsible for the technology and research and development of the Group.

* *For identification purpose only*

Company Secretary

Ms. Ng Man Yee (伍敏怡), aged 49, is the company secretary of the Company. Ms. Ng graduated from the Chinese University of Hong Kong and obtained her bachelor's degree in business administration in 1994. She is a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant of the Institute of Chartered Accountants in England and Wales. Ms. Ng has over 20 years of experience in the field of auditing and accounting.

Corporate Governance Report

As a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, the Company has remained in strict compliance with the Articles of Association, relevant laws and regulations, the Shanghai Listing Rules and Hong Kong Listing Rules.

The Company is committed to maintaining a high standard of corporate governance practices. Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules"). During the year ended 31 December 2020, the Company complied with the Code Provisions of the CG Code, except for the following deviation:

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

Corporate Governance Functions

The Board is responsible for formulating the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) To develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) To review and monitor the training and continuous professional development of Directors and senior management;

(iii) To review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) To develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees of the Group and Directors; and

(v) To review the Group's compliance with the CG Code and disclosure requirements in the corporate governance report.

The Board

The Company is managed by its Board, which has the responsibility for providing leadership and control of the Company. Through the Board, the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The Directors

As at the date of this annual report, the Board comprised a total of seven Directors, including three executive Directors, namely, Mr. Wang An (chairman), Mr. Zhang Hui (chief executive officer) and Mr. Wang Yan Hui (financial controller); one non-executive Director, namely, Mr. Liu Tsung-Yi; and three independent non-executive Directors, namely, Mr. Jiang Hong Qi, Mr. Li Wei and Mr. Li Yao.

Each of the Directors has entered into a service contract with the Company for a term of three years until the conclusion of the Company's annual general meeting to be held in the year of 2022. All Directors are appointed by the Shareholders at the general meeting with formal letters of appointment setting out the key terms and conditions relating to their appointments.

None of the Directors or Supervisors had entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

Each of the independent non-executive Directors possesses a wide range of skills and experience. They serve the important function of providing adequate monitoring and balances for safeguarding the interests of the Shareholders and the Company as a whole. The Board considers that they can make independent judgment effectively and fulfill the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules.

The biographical details of the Directors are set out on pages 25 to 27 of this annual report.

Responsibilities of the Board

The Board reviews the performance of the operating divisions with reference to their respective agreed budgets and business objectives on a regular basis and also exercises a number of reserved powers which include:

- convening general meetings and reporting on their work at such meetings;
- implementing resolutions passed at general meetings;
- formulating the Company's business plans and investment proposals;
- preparing the Company's annual financial budget and final accounts;
- formulating proposals for profit distribution and for setting off of accumulated losses of the Company;
- formulating proposals for increase or reduction in registered capital and the issuance of debt securities of the Company;

– formulating proposals for merger, demerger or dissolution of the Company;

– formulating the internal management structure of the Company;

– appointing or dismissing the chief executive officer of the Company, appointing or dismissing the deputy general manager, chief financial officer and other senior management at the recommendation of the chief executive officer of the Company and determining matters relating to their remuneration;

– formulating the basic management system of the Company;

– formulating proposals for amendments to the articles of association of the Company (the "Articles of Association"); and

– carrying out other powers conferred by general meetings.

The Board is also responsible for the integrity of financial information and the effectiveness of the Company's systems of internal control and risk management processes. The Board is also responsible for preparing the financial accounts of the Company. The day-to-day management of the Company's business is delegated to the chief executive officer and the management. The functions of the Board and the powers delegated to the chief executive officer are reviewed periodically by the Board to ensure that they remain appropriate.

As at 31 December 2020, the Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going-concern basis.

To ensure a balance of power and authority, the role of the chairman is separate from that of the chief executive officer. The chairman of the Company is Mr. Wang An. The chairman is responsible for convening and holding general meetings and Board meetings, tracking the progress of implementation of the resolutions passed by the Board, signing the securities issued by the Company and carrying out other powers conferred by the Board. Mr. Zhang Hui is the chief executive officer of the Company. The chief executive officer and the management are responsible for the production, operation and management of the Company, implementation of the resolutions passed by the Board, implementation of annual business plans and investment proposals, formulation of the internal management structure, the basic management system and the specific governance of the Company. In particular the chief executive officer is responsible for proposing to the Board for appointment or dismissal of vice president, chief financial officer and other senior management of the Company, appointment or dismissal of other management staff whose appointment and dismissal does not require approval from the Board and carrying out other powers conferred by the Board and the Articles of Association.

Directors' Induction and Continuous Professional Development

Upon appointment to the Board, each newly-appointed Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his responsibilities under the listing rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enrol in a wide range of professional development courses and seminars relating to the listing rules, the Companies Ordinance or act and corporate governance practices organised by professional bodies and independent auditors so that they can continuously update and further improve their relevant knowledge and skills.

From time to time, Directors are provided with written materials to develop and refresh their professional skills; the company secretary also organises and arranges seminars on the latest development of applicable laws, rules and regulations for the Directors to assist them in performing their duties. During the year under review, the company secretary of the Company, Ms. Ng Man Yee Karen, has completed over 15 hours professional training.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the CG Code on continuous professional development during the year under review:

	Corporate Governance/ Updates on laws, rules and regulations	
	Read materials	**Attend workshops**
Executive Directors		
Wang An	✓	✓
Zhang Hui	✓	✓
Wang Yan Hui	✓	✓
Non-executive Director		
Liu Tsung-Yi	✓	✓
Independent non-executive Directors		
Jiang Hong Qi	✓	✓
Li Wei	✓	✓
Li Yao	✓	✓

Board Meetings

The chairman is responsible for the leadership of the Board, ensuring the effectiveness of the Board in all aspects of its role, setting agenda for Board meetings and taking into account any matters proposed by other Directors for inclusion in the agenda. Agenda and related Board papers are circulated at least 7 days before the time of a Board or committee meeting where possible. The chairman is also responsible for making sure all Directors are properly briefed on issues arising at Board meetings. The chairman also ensures that the Directors receive accurate, timely and clear information. Directors are encouraged to update their skills, knowledge and familiarity with the Company through their initial induction, ongoing participation at Board and committee meetings, and through meeting key people at head office and in the divisions.

All Directors have access to the services of the company secretary who regularly updates the Board on governance and regulatory matters. Any Director, who wishes to do so in the furtherance of his or her duties, may seek independent professional advice through the chairman at the Company's expense. The availability of professional advice extends to the Audit and Review Committee, Remuneration and Review Committee and other committees.

Minutes of Board meetings are taken by the company secretary or the secretary of the Board and, together with any supporting Board papers, are available to all Board members. Board meetings are structured to encourage open and frank discussions to ensure the non-executive Directors provide effective enquiries to each executive Director. When necessary, the independent non-executive Directors meet privately to discuss matters which are relevant to their specific responsibilities.

In furtherance of good corporate governance, the Board has established four committees: Audit and Review Committee, Nomination Committee, Remuneration and Review Committee and Strategic Committee. All committees have its terms of reference which fulfill the principles set out in the CG Code. The secretary of the Board takes minutes of the meetings of these committees and the work of these committees is reported to the Board.

The Board held 8 meetings during 2020. The chief financial officer of the Company also attended all of the Board meetings to advise on corporate governance, risk management, statutory compliance, mergers and acquisitions and accounting and financial matters. The attendance (other than attending by authorised representatives) of individual Directors at the Board meetings, the meetings of major committees and the general meetings in 2020 is set out in the table below:

Board Meeting

Date (DD/MM/YY)	**Chair person**	WA	ZH	WYH	LTY	JHQ	LW	LY
06/03/2020	WA	✓	✓	✓	✓	✓	✓	✓
12/06/2020	WA	✓	✓	✓	✓	✓	✓	✓
26/08/2020	WA	✓	✓	✓	✓	✓	✓	✓
12/10/2020	WA	✓	✓	✓	✓	✓	✓	✓
23/10/2020	WA	✓	✓	✓	✓	✓	✓	✓
29/10/2020	WA	✓	✓	✓	✓	✓	✓	✓
12/11/2020	WA	✓	✓	✓	✓	✓	✓	✓
01/12/2020	WA	✓	✓	✓	✓	✓	✓	✓

General Meeting

Date (DD/MM/YY)	**Chair person**	WA	ZH	WYH	LTY	JHQ	LW	LY
26/05/2020	WA	✓	✓	✓	✓	✓	✓	✓
01/12/2020	WA	✓	✓	✓	✓	✓	✓	✓

Audit and Review Committee Meeting

Date (DD/MM/YY)	Chair person	JHQ	LW	LY
05/03/2020	JHQ	✓	✓	✓
20/05/2020	JHQ	✓	✓	✓
25/08/2020	JHQ	✓	✓	✓
12/10/2020	JHQ	✓	✓	✓
23/10/2020	JHQ	✓	✓	✓
28/10/2020	JHQ	✓	✓	✓

Nomination Committee Meeting

Date (DD/MM/YY)	Chair person	WA	JHQ	LY
05/03/2020	JHQ	✓	✓	✓
25/08/2020	JHQ	✓	✓	✓

Remuneration and Review Committee Meeting

Date (DD/MM/YY)	Chair person	ZH	JHQ	LY
05/03/2020	JHQ	✓	✓	✓
25/08/2020	JHQ	✓	✓	✓

Strategic Committee Meeting

Date (DD/MM/YY)	Chair person	WA	ZH	JHQ
05/03/2020	JHQ	✓	✓	✓
12/11/2020	JHQ	✓	✓	✓

Note:

WA	Wang An
ZH	Zhang Hui
WYH	Wang Yan Hui
LTY	Liu Tsung-Yi
JHQ	Jiang Hong Qi
LW	Li Wei
LY	Li Yao

Symbols:
"✓" means attended the meeting
"–" means not attended the meeting

Directors' Interest

All Directors disclosed to the Board on their first appointment their interests as a Director or otherwise in other companies or organisations and such declarations of interests are updated annually. When the Board considers any proposal or transaction in which a Director has a conflict of interest, the Director has to declare his interest and is required to abstain from voting and withdraw from the meetings as appropriate. The Company seeks confirmation from the Directors annually in respect of any transactions of the Company or its subsidiaries which are related to Directors or their associates pursuant to the guideline.

Directors' Securities Transactions

The Company had adopted a code of conduct regarding Directors' securities transactions (the "Securities Code") pursuant to Appendix 10 of the Hong Kong Listing Rules. A copy of the Securities Code is sent to each Director upon his appointment and thereafter four times annually, that is one month before the date of the Board meetings to approve the Company's quarterly and interim results and two months before the date of the Board meetings to approve the Company's annual results, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after such results have been published.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the requirements in the Securities Code during 2020.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Company are also subject to compliance with the Securities Code. No incident of non-compliance was noted by the Company in 2020.

Supervisory Committee

The Supervisory Committee comprises three members of which two are recommended by Shareholders and one is an employee representative elected by the employees. The Supervisory Committee is responsible for supervision of the Board, members of the Board and senior management, to prevent authority abuse, Shareholders' interest infringement and to protect legitimate interests of the Company and its employees. During 2020, the Supervisory Committee held four meetings, during which the members of the Supervisory Committee reviewed the Company's financial position, legal compliance of the Company's operations and diligence of the senior management.

Internal Control

Internal Control System

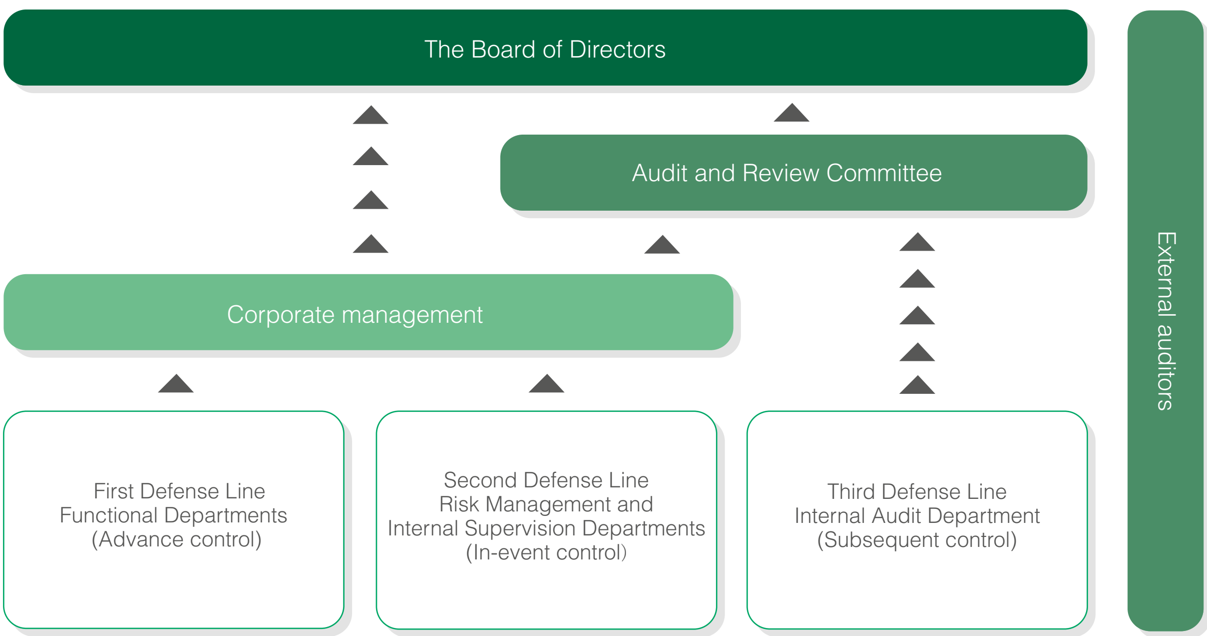
The Board has the overall responsibility for setting and reviewing the Company's internal control system. The Audit and Review Committee will also review the effectiveness of such system periodically. Procedures applied by the Audit and Review Committee for reviewing the effectiveness of the Company's internal control system include: discussing with the management on the risky areas arising from auditing and/or raised by the management, reviewing the internal and external audit plan of the Company, reviewing material issues arising from internal or external audit report and reviewing material matters identified by internal auditors and risk assessment manager of the Group. The internal control system of the Company plays an important role in risk management which is a key factor for ensuring the achievement of operational goal. The establishment of internal control system is for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. However, the procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement errors, losses or fraud. Procedures for the Company's internal, control system have been designed in accordance with the applicable laws, rules and regulations.

Regarding to the procedures and internal control for the handling and dissemination of inside information, the Company is aware of its disclosure obligations under the Hong Kong and Shanghai Listing Rules and Part XIVA of the Securities and Futures Ordinance (the "Inside Information Provisions"), and any information required to be disclosed under Rule 13.09 of the Hong Kong Listing Rules or any inside information required to be disclosed under the Inside Information Provisions should be announced immediately.

A review of the Company's internal control system covering financial, operational, compliance and risk management is conducted annually. In particular, the Board has considered the adequacy of resources, qualification and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board has conducted a review of the effectiveness of the Group's system of internal control. The result has been reported to the Board.

The Board confirms that systems and procedures are in place to identify, control and report on significant risks involved in achieving the Company's strategic objectives. Exposures to these risks are monitored by the Board with the support of various committees and senior management.

The Company's risk management and internal control framework is guided by the "three lines of defense" model described below.



The Company's Internal Control Department is responsible for coordinating the operation of the "three lines of defense". The Internal Control Department regularly organizes the functional departments of the Company to conduct annual risk assessment on a half-yearly basis, prepare risk assessment report and report to the Audit and Review Committee. The functional departments of the Company carry out material risk assessment and response measures in accordance with their respective departmental duties, and brief and report to the Internal Control Department of the Company on a half-yearly basis. The assessment focuses on the identification of the departmental risk points identified by each functional department, the preparation of the Risk Assessment Questionnaire, the assessment of the identified risk points and the setting up of preventive measures, the formation of the Risk List based on the Risk Assessment Questionnaire, and the preparation of a risk assessment report examined and approved by the chairman of the Audit and Review Committee.

The internal supervision departments of the Company shall conduct risk and problem-oriented work, urge relevant functional departments and subsidiaries to rectify the problems identified during the inspection process, and regularly report to the Audit and Review Committee and the management on the improvement status, and report to the Board, the Audit and Review Committee, the President and the Chief Financial Officer of the Company on whether the internal control is adequate and effective.

The Internal Audit Department of the Company is responsible for urging relevant functional departments and subsidiaries to rectify the problems identified during the internal audit process. The Internal Audit Department and Internal Control Department will report to the Audit and Review Committee on a regular basis, including the annual work plan, contents of audit work, major audit reports, major risks and response situations, and the improvement status of problems identified by the functional departments and subsidiaries during the internal audit process. The annual work plan of the Internal Audit Department and Internal Control Department of the Company covers all major procedures of procurement, production, sales, human resources, finance, asset management and subsidiaries of the Company, and reports to the Board of Directors and management of the Company on the audit results.

The management of each subsidiary is responsible for the design, implementation and monitoring of risk management and internal control systems with the assistance of the Internal Control Department and the Internal Audit Department.

For the year under review, the Board confirmed that the Company's internal control system was effective and adequate and the Company had complied with the Code Provisions on internal control under the CG Code.

Internal Audit

The Internal Audit Department of the Company provides an independent review on the adequacy and effectiveness of the internal control system. The department is headed by a manager who is familiar with the Company's operation. Its scope of work mainly includes auditing of financial and operational systems, reviewing the observance of relevant policies and regulations, regular and special auditing, auditing of production effectiveness, etc. The audit plan, which is prepared based on risk assessment methodology, is discussed and agreed on every year by the Audit and Review Committee. In addition to its agreed annual schedule of work, the Internal Audit Department of the Company conducts other special reviews as required.

The primary reporting procedure of the Internal Audit Department of the Company is to report to the chairman of the Board but there is also direct access to the Audit and Review Committee. Internal audit reports are sent to the chief executive officer, the chief financial officer, the external auditors and the relevant management of the departments under audit. A summary of major audit findings is reported to and discussed with the Audit and Review Committee. The Board and the Audit and Review Committee actively monitor the number and seriousness of findings raised by the Internal Audit Department of the Company and also the corrective actions taken by relevant departments.

Detailed control guidelines have been formulated and made available to all employees of the Company regarding handling and dissemination of corporate data which is price sensitive.

Risk Management

Risk management is concerned with the identification and effective management of business risks, including safety and security, legal, environmental and reputational risks.

The risk management of the Company is conducted by the Audit and Review Committee and it assists the Board to fulfill its oversight role over the Company and its subsidiaries in, among others, the following areas:

– establishment of the risk approach and risk management strategy of the Company to formulate its risk profile;

– identification, assessment and management of the material risks faced by the various business units of the Company;

– reviewing and assessment of the adequacy of the Company's risk management process, system and internal control; and

– reviewing and monitoring the Company's compliance with the risk management process, system and internal control, including whether the development of the Company's business is prudent and in compliance with the legal requirements.

The Company has a sound organisation system of internal control. The Board is responsible for the establishment, improvement and effective implementation of the risk management and internal control systems. A semi-annual review of the effectiveness of the Company's and its subsidiaries' risk managements and internal control systems during the year has been conducted. Guided by the Board and the Audit and Review Committee, the Internal Audit Department carries out inspection, supervision and evaluation for internal controls of the Company and its subsidiaries in respect of important control functions such as financial control, operation control, compliance control and risk management, supervises and timely rectifies internal control deficiencies and effectively controls operating risks.

The objectives of internal control of the Company include ensuring a legal and compliance management, asset safety, accuracy and completeness of financial reports and related information in a reasonable manner, enhancing its operating efficiency and results, and promoting the implementation of strategy development. Due to the intrinsic limitations of internal control system, only reasonable guarantees can be provided for the abovementioned objectives. In addition, the effectiveness of its internal control is subject to change according to the changes of internal and external environment and operations. Inspection and supervision system is established for the Company. In case of shortcomings found, the Company will adopt rectification measures immediately.

Audit and Review Committee

The Audit and Review Committee is responsible for reviewing the Group's financial reporting, risk management, internal controls and corporate governance issues and making relevant recommendations to the Board. All of its members are independent non-executive Directors (namely Mr. Jiang Hong Qi, Mr. Li Wei and Mr. Li Yao) and its current chairman is Mr. Jiang Hong Qi.

The Audit and Review Committee has adopted revised set of terms of reference effective from 22 March 2019, which is based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. A copy of the revised terms of reference of the Audit and Review Committee is available on the Company's website and the Hong Kong Stock Exchange's website.

The Audit and Review Committee met six times in 2020. During 2020, it met to review the internal and external audit findings, the accounting principles and practices adopted by the Group, internal control and listing rules and statutory compliance, and to discuss auditing, internal controls, risk management and financial reporting matters. The interim, third quarterly and annual accounts for 2020 were recommended to the Board for approval after discussion of the Audit and Review Committee.

External Auditors

In 2020, the total remuneration paid to the external auditors amounted to approximately RMB800,000 (tax inclusive), which was all for the audit services provided by the external auditors. The audit fee and other service fees have been approved by the Audit and Review Committee and endorsed by the Board.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out on pages 68 to 74 of this annual report.

The Audit and Review Committee has resolved the re-appointment of Da Hua Certified Public Accountants LLP for the audit work of the Company for the financial year 2021. This resolution has been endorsed by the Board and is subject to final approval and authorisation by the Shareholders at the forthcoming annual general meeting.

Remuneration and Review Committee

The Remuneration and Review Committee comprises Mr. Jiang Hong Qi, Mr. Li Yao and Mr. Zhang Hui as members with Mr. Jiang Hong Qi as the current chairman. Mr. Jiang Hong Qi and Mr. Li Yao are independent non-executive Directors while Mr. Zhang Hui is an executive Director. The Committee's responsibilities are as follows:

- to make recommendations to the Board on the policy and structure for all Directors' and senior management, remuneration and on the establishment of formal and transparent procedures for developing remuneration policy;

- to be responsible for determining the specific remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments (including any compensations payable for loss or termination of their office or appointment), and to make recommendations to the Board on the remuneration of non-executive Directors;

- to review and approve the management's remuneration proposals with reference to the corporate goals and objectives made by the Board;

- to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise reasonable and not excessive;

- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

- to ensure that no Director or any of his associates is involved in deciding his own remuneration; and

- to review and monitor the training and continuous professional development of the Directors and senior management.

Factors to be considered by the Remuneration and Review Committee for formulation of remuneration package include the remuneration paid by other similar companies, time devoted by a Director, Director's responsibilities, employment terms of other positions in the Group, Director's performance, etc.

The terms of reference of the Remuneration and Review Committee which were revised on 30 August 2017 are available on the Company's website.

The Remuneration and Review Committee met twice in 2020 to review and approve the Directors' and senior management's remuneration for 2020. At those meetings, the committee approved the individual remuneration packages for Directors and senior management to be paid for 2020.

Remuneration Policy for Directors

Remuneration of Directors is subject to annual assessment and recommendation by the Remuneration and Review Committee to the Board for further review and approval, which subsequently requires approval by the Shareholders at annual general meeting. The primary goal of the remuneration policy on remuneration packages is to enable the Company to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives. Under the policy, a Director is not allowed to approve his own remuneration.

The elements of the Company's remuneration package of Directors include basic compensation (comprising of director's fee) and discretionary bonus without capping. In determining guidelines for each compensating element, the Company refers to remuneration surveys conducted by independent external consultants on companies operating similar businesses.

According to Code B.1.5 of the CG Code, the annual remuneration of the members of the senior management whose particulars are contained in the section headed "Directors, Supervisors and Senior Management" in this annual report for 2020 by band is set out below:

Remuneration band (RMB)	Number of individuals
0 – 650,000	7 Directors, 3 Supervisors and 2 senior management members excluding the Directors who also act as senior management

Basic Compensation

The Remuneration and Review Committee annually reviews and approves the basic compensation of each Director in accordance with the Company's remuneration policy. In accordance with the service contracts entered into by the Company and each of the Directors, all Directors have the right to receive fixed basic compensation.

Discretionary Bonus

Under the service contracts between the Company and each of the Directors, the Directors are entitled to a discretionary bonus based on the Company's results and the degree of diligence of each of the Directors. During the year ended 31 December 2020, the Directors did not receive any discretionary bonus.

The amounts paid to each Director of the Company for 2019 and 2020 are disclosed in Note XIII.(I).2 to the Financial Statements.

Nomination Committee

The Nomination Committee is chaired by Mr. Jiang Hong Qi, an independent non-executive Director, and comprises Mr. Wang An, an executive Director and Mr. Li Yao, an independent non-executive Director, as members. The role of the committee is to make recommendations to the Board on the appointment of Directors, evaluation of Board composition and the management of Board succession with reference to certain guidelines as endorsed by the Nomination Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethnics, integrity and personal skills, time commitments of members, and the independency of the nominees for the position of independent non-executive directors of the Company. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professional when necessary. The Nomination Committee met twice in 2020 to discuss the Board structure, size and composition and to evaluate the independence status of the independent non-executive Directors.

As at the date of this report, the Company had adopted a board diversity policy (the "Board Diversity Policy") which sets out its approach to achieve and maintain diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. Below is the summary of the Board Diversity Policy:

Selection of candidates for directorship will be based on a wide range of factors, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and service term. The Nomination Committee will review the diversity of the Board and report to the Board the composition of the Board members and monitor the implementation of the Board Diversity Policy.

The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company. The Nomination Committee will review the implementation of the Board Diversity Policy from time to time to ensure its effectiveness on determining the optimal composition of the Board.

The latest version of the revised terms of reference of the Nomination Committee with effect from 22 March 2019 has been posted on the websites of the Company and the Hong Kong Stock Exchange.

Strategic Committee

The Strategic Committee comprises Mr. Wang An and Mr. Zhang Hui, both are executive Directors and Mr. Jiang Hong Qi, an independent non-executive Director as members with Mr. Jiang Hong Qi as chairman. The primary responsibilities of the Strategic Committee are to research and advise on the strategic planning of the Group's medium and long-term development and major issues affecting the Group's development, and to approve research reports on development strategy.

In 2020, the Strategic Committee held two meetings to research and advise on the strategic planning of the Group's medium and long-term development and major investment decision, explore and give suggestion on new market and new business development.

Investor Relations

To enhance the Company's system of information disclosure, and to ensure the accuracy, completeness and timeliness of the Company's public disclosures, an Information Disclosure Review Committee, led by the chief financial officer of the Company, was established. The Information Disclosure Review Committee is responsible for the establishment of procedures to compile, verify and report the Company's financial and operational statistics and other information as well as to supervise the drafting and publication of periodic reports.

The Company is committed to fair disclosure and comprehensive, transparent reporting. The chairman of the Board is ultimately responsible for ensuring that there is effective communication with investors and that the Board understands the views of the major Shareholders. The chairman therefore makes himself available to meet with the Shareholders for this purpose. On a day-to-day basis, the Board's primary contact with the major Shareholders is through the chief executive officer and the chief financial officer of the Company.

Printed copies of the interim and annual reports are sent to all Shareholders. The most recent general meeting of the Company was held on 23 March 2021 at 2nd Floor, Andre Tower, No. 889 Xincheng Avenue, Muping District, Yantai City, Shandong Province, the PRC. The meeting was opened to all Shareholders and members of the press and was attended by all substantial Shareholders personally present or by proxy.

As part of a regular programme of investor relations, senior management holds briefings and attends conferences with institutional investors and financial analysts to engage in a two-way communication on the Company's performance and objectives. A wide range of information on the Group's business activities is made available to investors and the public through the websites of the Company, the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Announcements of the quarterly, interim and annual results are also available on the websites of the Company, the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

In 2020, the Company held 17 meetings and conference calls with analysts and investors at its Yantai and Hong Kong offices. These activities allowed them to have good opportunities to directly communicate with and understand the senior management, operating management and general staff of the Company, as well as to visit different places of business and operations of the Group.

Enquiries to the Board may be made by contacting the company secretary through the Shareholders' hotline or email, or directly by questions at an annual general meeting or a special general meeting of the Company. Questions on the procedures for convening of or putting forward proposals at an annual general meeting or a special general meeting of the Company may also be made to the Company by the same means.

Dividend Distribution Policy

The Company uses cash, shares or both cash and shares as means for profit appropriation. Except special circumstances, the Company will distribute dividend by means of cash when there is profit for the year and accumulated profit not yet distributed. Profit distributed by means of cash per annum cannot be less than 10% of the distributable profit of that year.

Change in Constitutional Documents

With the approval of all the relevant PRC regulatory authorities and the Board, the amendments to the Articles of Association took effect on 26 May 2020 and 1 December 2020 respectively to reflect:

(i) the revisions of profit distribution policies and discussion procedures; and

(ii) the increase of share capital and other relevant changes relating to the listing of its A Shares on the Shanghai Stock Exchange in September 2020.

Details of which are set out in the circulars of the Company dated 8 April 2020 and 11 November 2020. An updated version of the Articles of Association is available on the websites of the Company, the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Shareholders' Rights

Procedures for Shareholders to Convene a Special General Meeting ("SGM")
Shareholders requesting the convening of a SGM shall proceed in accordance with the procedures set forth below:

The Shareholders individually or jointly holding over 10% of the Company's shares with the voting power at the proposed meeting have the right to request the Board to hold the SGM or a class meeting in writing. According to laws, administrative regulations and the Articles of Association, the Board shall give written feedback to agree or disagree to hold the SGM within 10 days after receiving the request.

If the Board agrees to hold the SGM, a meeting notice shall be given within 5 days after the Board makes such a resolution. Changes to the original proposal in the notice shall be approved by relevant Shareholders.

If the Board disagrees to hold the SGM or fails to give feedback within 10 days after receiving the request, the Shareholders individually or jointly holding over 10% of the Company's shares have the right to request the Supervisory Committee to hold the SGM in writing.

If the Supervisory Committee agrees to hold the SGM, a meeting notice shall be given within 5 days after receiving the request. Changes to the original proposal in the notice shall be approved by relevant Shareholders.

If the Supervisory Committee fails to give the notice of the SGM within the specified period, it shall be deemed that the Supervisory Committee does not convene or preside over the general meeting. The shareholders individually or jointly holding over 10% of the Company's shares for more than 90 consecutive days may convene and preside over the SGM by themselves.

Necessary expenses of the general meeting held by the Supervisory Committee or Shareholders by themselves shall be born by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

When the Company holds a general meeting, the Board, the Supervisory Committee and the Shareholders individually or jointly holding over 3% of the shares of the Company have the right to submit proposals to the Company. Shareholders individually or jointly holding over 3% of the shares of the Company may put forward interim proposal and submit to the convener in writing 10 days before the SGM.

Procedures for Shareholders to Propose a Person for Election as a Director

With regard to the procedures for proposing a person for election as a Director, please refer to the procedures posted on 2 April 2012 under the Investor Relation section of Company's website at www.andre.com.cn.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

Flat A, 2/F, Hong Kong Industrial Building
444-452 Des Voeux Road West
Shek Tong Tsui, Hong Kong
Fax: (852) 2587 9166
Email: andrehk@northandre.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Report of Directors

The Directors are pleased to present and submit the annual report together with the audited financial statements of the Group for the year ended 31 December 2020.

Principal Activities

The principal activities of the Group are manufacturing and sale of apple juice concentrate, pear juice concentrate, pomace and related products. The principal activities of the Company's subsidiaries are set out in Note VII to the Financial Statements.

Subsidiaries

Particulars of the subsidiaries of the Company as at 31 December 2020 are set out in Notes VII to the Financial Statements respectively.

Results

The results and financial status of the Group for the year ended 31 December 2020 are set out in pages 68 to 206 of this annual report.

Five-Year Financial Highlights

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 3 to 4 of this annual report.

Risks and Uncertainties

Principal risks and uncertainties that the Company may face have been disclosed in the section headed "Management Discussion and Analysis" of this annual report. In addition, details of the Group's financial risk management are disclosed in note VIII to the Financial Statements.

Major Customers and Suppliers

In the reporting period, the Group mainly exported products to the domestic market and overseas markets in Asia, Europe, North America and Africa, and has gradually expanded into markets in Oceania and South America. The sales attributable to the top five customers of the Group amounted to approximately RMB283,693,948, which accounted for about 33.69% of the Group's total turnover and sales to the largest customer included therein amounted to about 8.57%. Among the sales to the top five customers, sales to related parties was approximately RMB49,874,323, which represented 5.92% of total sales.

Purchases from the Group's top five largest suppliers amounted to approximately RMB57,889,846 and accounted for about 10.44% of total purchases for the year. The largest supplier accounted for about 3.08% of the total purchases of the Group for the year. Among the purchases from the top five suppliers, purchases from related parties was approximately RMB8,072,783, which represented 1.46% of total purchases.

To the knowledge of the Directors, of the top five customers, the related party mentioned above is Bussan Food Materials Co., Ltd., a subsidiary of Mitsui & Co., Ltd.. Mitsui & Co., Ltd. is one of the substantial shareholders of the Company. In the reporting period, sales to Bussan Food Materials Co., Ltd. was approximately RMB49,874,323. In addition, of the top five suppliers, the related party is Yantai Yitong Heat Co., Ltd., a company controlled by the controlling shareholder of the Company, Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司). In the reporting period, the Company purchased approximately RMB8,072,783 from Yantai Yitong Heat Co., Ltd.. Saved as disclosed above, none of the Directors, supervisors, their respective associates or any Shareholders which own more than 5% of the Company's issued share capital had any interest in the top five largest suppliers or customers of the Group.

The Board believes that there was no reliance on major customers and no material related risk was noted in the reporting period.

Dividend

The Board has resolved to recommend a final dividend of approximately RMB18,365,000 (inclusive of tax), or RMB0.5 per every 10 shares for 2020. The proposal to declare and pay this final dividend will be submitted to the Shareholders at the forthcoming annual general meeting to be held on 11 May 2021. Final dividend of A Shares will be distributed and paid in RMB, while final dividend of H Shares will be declared in RMB and paid in HKD. The final dividend will be paid to those H Shares holders whose names appear on the Company's register of members at the close of business on 14 May 2021 (the "Record Date of H Shares"). To determine the identity of the H Shares holders entitled to receive the final dividend, the register of holders of H Shares will be closed from 17 May 2021 to 18 May 2021 (both days inclusive) during which no transfer of H Shares will be registered. In order to qualify for entitlement to the proposed final dividend, all transfers of H Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's H Share Registrar, Tricor Tengis Limited at 54/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 14 May 2021. For A Shares holders, those whose names appear on the Company register of members at the close of business on 7 July 2021 (the "Record Date of A Shares") will be qualify for entitlement to the proposed final dividend. The final dividend is expected to be distributed on 8 July 2021.

Tax and Tax Relief

Pursuant to the Corporate Income Tax Law of the PRC and its implementing regulations (collectively referred to as the "Corporate Income Tax Law") which took effect on 1 January 2008, the tax rate of the corporate income tax applicable to the income of non-resident enterprise deriving from the PRC is 10%. Pursuant to the Corporate Income Tax Law, any Chinese domestic enterprise (including the Company) which pays dividend to a non-resident enterprise shareholder shall withhold and remit corporate income tax at 10% on behalf of such shareholder.

Pursuant to the Notice on Issues Concerning Individual Income Tax Collection and Management after the Repeal of Guo Shui Fa [1993] No. 45 (No. 348, Guo Shui Han [2011]), where the non-resident individual shareholders obtain dividend and bonuses from the shares issued in Hong Kong by non-foreign-invested enterprise, individual income tax shall be withheld and remitted by the withholding agent according to the domain of "interest, dividends and bonuses". The non-resident individual shareholders of domestic non-foreign-invested enterprise which issued shares in Hong Kong, shall enjoy the taxation preferences in accordance with the agreements between countries of their origins and China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau). The related tax rate of dividend as provided by taxation agreement is generally at a rate of 10%. In order to simplify the collection and management of taxation, the individual income tax with a rate of 10% in general will be withheld when dividend is paid by the domestic non-foreign-invested enterprise which issued shares in Hong Kong without making applications. Where the dividend tax rate is not 10%, it will be handled according to the following requirements: (1) for residents of countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the withholding agent may apply for the relevant entitlements hereunder on their behalf. Upon examination and approval by the competent tax authorities, the additional amount of tax withheld will be refunded; (2) for residents of countries which have entered into an agreement with China in respect of a tax rate of 10% or more but less than 20%, the withholding agent shall withhold individual income tax at the agreed tax rate when distributing dividends or bonuses, and no application for approval is needed; (3) for residents of a country or which has not entered into any tax treaties with the PRC and in any other circumstances, the withholding agent shall withhold individual income tax at the tax rate of 20% when distributing dividends and bonuses.

Pursuant to the Notice of Withholding and Payment of Enterprise Income Tax Regarding China Resident Enterprise Paying Dividend to Non-Resident Enterprise Holders of Overseas H-Share (No. 897, Guo Shui Han [2008]) issued by the State Administration of Taxation, any domestic enterprise of PRC which pays dividends to non-resident enterprise shareholders (as defined in the Tax Law) for the year of 2008 and subsequent years shall withhold and remit enterprise income tax at the tax rate of 10%.

The arrangement relating to withholding tax, if any, in respect of the final dividend to be paid by the Company to the investors who invest through the Shanghai Stock Exchange in the H Shares of the Company listed on the Main Board of the Hong Kong Stock Exchange will be finalized with the relevant PRC authorities prior to the payment.

Shareholders are recommended to consult their taxation advisors for advice on the tax effects of the PRC, Hong Kong and other jurisdictions with respect to the holding and disposal of H Shares.

The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding and remitting.

Share Capital

The change(s) in share capital of the Company is set out in Note VI.23 to the Financial Statements.

Reserves

The change(s) in reserves of the Company during the reporting period is set out in the statement of changes in Shareholders' equity of the Group and the Company in the Financial Statements.

The distributable reserves of the Company as at 31 December 2020 amounted to approximately RMB534,170,512 (2019: approximately RMB458,836,299).

Property, Plant and Equipment

During the reporting period, the Group incurred approximately RMB27,243,128 mainly for expanding the production line, renovation of plant and acquisition of equipment.

The change(s) of property, plant and equipment of the Group during the reporting period is set out in Note VI.9 to the Financial Statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the PRC laws and regulations which oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Purchase, Sale or Redemption of Shares

During December 2020, the Company repurchased a total of 10,700,000 H shares with par value of RMB1.00 each on the Hong Kong Stock Exchange at prices ranging from HK$7.82 to HK$9.08 per H share, for a total consideration of HK$91,857,792 (including the consideration for shares repurchase, stamp duty and commission). Directors believe that through repurchase of shares, earnings per share and asset value per share will increase, which in turn will improve the Company's capital structure and Shareholders' equity. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

Issuance of A Shares

The Company has completed the A Share Offering and the A Shares of the Company were listed and commenced trading on the Shanghai Stock Exchange on 18 September 2020. In accordance with the requirements of the relevant regulatory authorities approving the A Share Offering, all Domestic Shares and Non-listed Foreign Shares of the Company issued before the A Share Offering had been registered with China Securities Depository and Clearing Corporation Limited as A Shares subject to trading restrictions. Save for the lock-up period, such shares were ranked pari passu with other A Shares issued by the Company.

Utilization of Proceeds from A Share Offering and Issue

In order to consolidate the Company's market position in the juice concentrate industry, implement the business development strategy plan of the Company, enhance the Company's brand recognition; at the same time, in order to expand and supplement the existing principal business of the Company, further enhance its core competitiveness and brand influence, improve the financial structure of the Company and ease the capital requirements for normal operation of the Company, and thereby enhancing the overall operational capabilities of the Company, the Company issued 20,000,000 RMB ordinary shares (A shares) on 18 September 2020 with a total par value of RMB20,000,000 at the issue price of RMB7.60 per share. The total proceeds raised amounted to RMB152,000,000, cost of offering amounted to RMB30,500,000. The net amount raised was RMB121,500,000. For details, please refer to the announcement of the Company dated 17 September 2020.

On 12 October 2020, the Board decided to use the idle proceeds not exceeding RMB120,000,000 for cash management. For more details, please refer to the announcement of the Company dated 13 October 2020.

As at 31 December 2020, the use of proceeds raised from the A Share Offering and its balance are set out below.

	RMB
Total proceeds	152,000,000
Issue expense	30,500,000
Net proceeds	121,500,000
Less: Amount invested during the reporting period	0
Less: Unrecovered amount of temporary idle capital investment	100,000,000
Add: Accumulated interest received on bank deposits and financial management income, net of bank charges, etc.	221,279
Balance of special account for proceeds	21,721,279

As at 31 December 2020, the balance of the Company's idle proceeds used for cash management and investment in related products was RMB100,000,000. The basic information of the investment products is set out below.

Product Name	Subscribed amount RMB	Contracting party	Date of investment	Date of expiration
Guolian Chengjinxin No. 65 Principal Protected and Fixed Income Certificates Subscription (國聯誠金鑫69號本金保障固定收益性收益憑證認購)	30,000,000	Guolian Securities Co., Ltd.	30/10/2020	28/7/2021
Guolian Chengjinxin No. 70 Principal Protected and Fixed Income Certificates Subscription (國聯誠金鑫70號本金保障固定收益性收益憑證認購)	30,000,000	Guolian Securities Co., Ltd.	30/10/2020	27/1/2021
Guolian Chengjinxin No. 73 Principal Protected and Fixed Income Certificates Subscription (國聯誠金鑫73號本金保障固定收益性收益憑證認購)	40,000,000	Guolian Securities Co., Ltd.	26/11/2020	25/5/2021
Total	100,000,000			

The purpose of proceeds from the A Share Offering is set out below.

Intended investment items	Planned investment amount RMB
construction of multi-type juice concentrate production line	121,500,000
Total	121,500,000

The Company will use the remaining proceeds according to the progress of the investment projects and business development. As at the date of this annual report, there was no specific timetable for the use of the remaining proceeds.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

None of the Directors or Supervisors or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right during the year ended 31 December 2020.

Material Acquisitions and Disposals During the Year

No material acquisitions or disposals of subsidiaries, associated companies or joint venture companies were made by the Company during the year ended 31 December 2020.

Significant Investments

Saved as the investments and securities disclosed in Note VI. 2 and 8 to the Financial Statements, no significant investment was held by the Group as at 31 December 2020.

Subsequent Event

Saved as disclosed in Note XII to the Financial Statements, there was no subsequent event as at 31 December 2020.

Employment and Remuneration Policy

For the year ended 31 December 2020, the Group had an average of 992 employees (2019: 944 employees). Staff costs including directors' remuneration for the years ended 31 December 2020 and 31 December 2019 were approximately RMB61,216,924 and approximately RMB61,988,582, respectively. Details of the emoluments of the Directors and supervisors and the top five highest paid individuals of the Group are set out in Notes XIII.(I).1 and 2 to the Financial Statements. The Group's employment and remuneration policies remained unchanged from those described in the prospectus of the Company dated 11 April 2003. The salaries and benefits of employees of the Group are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system which is reviewed annually. A wide range of benefits, including statutory compulsory welfare plans, are also provided to the employees.

Retirement Fund Scheme

The retirement fund scheme is set out in Note VI.17 to the Financial Statements.

Directors and Supervisors

During the year 2020 and up to the date of this report, the Directors and Supervisors were as follows:

Executive Directors:	Wang An, Zhang Hui and Wang Yan Hui
Non-executive Director:	Liu Tsung-Yi
Independent non-executive Directors:	Jiang Hong Qi, Li Wei and Li Yao
Supervisors:	Dai Li Ying, Wang Zhi Wu and Wang Kun

Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company. None of the Directors or Supervisors has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Independence of Independent Non-executive Directors

The Company confirms that the Company has received written independence status confirmation from all independent non-executive Directors in accordance with Rule 3.13 of the Hong Kong Listing Rules. All independent non-executive Directors are considered as independent.

Change of Directors, Supervisors and Senior Management

There were no material changes to the Directors, Supervisors and senior management of the Company for the year ended 31 December 2020.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the reporting period.

Permitted Indemnity Provision

At no time during the financial year, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the company).

Connected Transactions

Continuing connected transactions under the Listing Rules

I. CCT with President

On 13 December 2018, the Company entered into a product purchase framework agreement with President Enterprises (China) Investment Co., Ltd. ("President"), whereby President agreed to purchase and the Company agreed to supply the Company's products (including but not limited to different kinds of juice concentrate) and provide related warehousing service to President and determined the annual cap for the financial year ended 31 December 2019.

As the product purchase agreement expired on 31 December 2019, the Company and President agreed to further renew the transaction terms, and entered into the product purchase framework agreement on 6 November 2019 ("President Renewal Agreement"), whereby President agreed to purchase and the Company agreed to supply the Company's products (including but not limited to different kinds of concentrated juice) and provide the warehousing and other services relating to purchase to subsidiaries of President, to regulate such product purchase between the Group and President for the period commencing on 1 January 2020 and expiring on 31 December 2021.

Prices of products to be supplied by the Company shall be determined according to the bidding principle by reference to the market price.

The annual cap of the products sold to President for the period commencing on 1 January 2020 and expiring on 31 December 2021 was set as RMB21,000,000, mainly based on the following factors: (i) the historical transaction amounts with President for the sales of products; and (ii) the expectation that the prevailing market prices for the sales of the Company's products will remain stable. The actual sale of products and provision of warehousing services by the Group to President for the year end 31 December 2020 was RMB10,511,744 and was subject to annual review requirements under the Hong Kong Listing Rules.

As at the date of signing the President Renewal Agreement, President is a non-wholly owned subsidiary of Uni-President Enterprises Corp., a Shareholder of the Company. Uni-President Enterprises Corp., through its two wholly-owned subsidiaries, Chengdu President Enterprises Food Co., Ltd.* (成都統一企業食品有限公司) and Guangzhou President Enterprises Corp.* (廣州統一企業有限公司), held 63,746,040 domestic shares of the Company, representing approximately 17.81% of the total issued share capital of the Company, and 237,000 H shares of the Company, representing approximately 0.07% of the total issued share capital of the Company. President is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the transactions under the President Renewal Agreement between the Group and President constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the highest applicable percentage ratio (other than the profit ratio) for the proposed annual cap under the President Renewal Agreement is more than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions under the President Renewal Agreement between the Company and President are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

II. CCT with Yantai Hengtong

On 19 January 2016, the Company entered into a framework agreement with Yantai Hengtong Thermoelectricity Co., Ltd.*(烟台亨通熱電有限公司)("Yantai Hengtong"), pursuant to which the Group has agreed to purchase and Yantai Hengtong has agreed to supply products (including but not limited to electricity and steam) to regulate the product purchase between the Group and Yantai Hengtong for the three years ended 31 December 2018.

As the previous framework agreement dated 19 January 2016 expired on 31 December 2018, the Company and Yantai Hengtong agreed to renew the transaction terms, and entered into the framework agreement on 13 December 2018 (the "Hengtong Renewal Agreement"), whereby the Group agreed to purchase and Yantai Hengtong agreed to supply products (including but not limited to electricity and steam), to regulate such purchase between the Group and Yantai Hengtong for the period commenced on 1 January 2019 and expiring on 31 December 2021.

Under the Hengtong Renewal Agreement, the prices of products to be supplied by the Company shall be determined according to the Market Price.

* *For identification purpose only*

The annual cap of the transaction contemplated under the Hengtong Renewal Agreement was set based on the following factors: the estimated amounts of transactions involved with reference to historical transaction volume and the estimated demand by the Group on Yantai Hengtong's products with reference to the prospective consumption of such products by the manufacturing workshops of the Group at full production capacity. For the three financial years ending 31 December 2021, the annual caps are RMB25,000,000 per year. The actual purchase for the year ended 31 December 2020 was RMB8,072,783 and was subject to annual review requirements under the Hong Kong Listing Rules.

As at the date of signing the Hengtong Renewal Agreement, Yantai Hengtong was wholly-owned by Andre Group, a substantial Shareholder. Yantai Hengtong was an associate (as defined under the Hong Kong Listing Rules) of Andre Group and was also a connected person of the Company under the Hong Kong Listing Rules. Therefore, the transactions contemplated under Hengtong Renewal Agreement between the Company and Yantai Hengtong constituted continuing connected transactions of the Company under the Hong Kong Listing Rules. Since the applicable percentage ratios (other than the profit ratio) for the proposed annual caps for all relevant years for the continuing connected transactions under Hengtong Renewal Agreement are more than 0.1% but less than 5%, in accordance with the Hong Kong Listing Rules, the transaction contemplated under Hengtong Renewal Agreement are only subject to the reporting, announcement and annual review requirements under the Hong Kong Listing Rules and are exempt from the independent Shareholders' approval requirement. The Company has complied with the applicable disclosure requirements in accordance with the Hong Kong Listing Rules.

For further details regarding the Hengtong Renewal Agreement, please refer to the announcement of the Company dated 13 December 2018.

III. CCT with Ton Yi

On 13 December 2018, the Company entered into a product purchase framework agreement with Ton Yi (China) Investment Co., Ltd.*(統實（中國）投資有限公司) ("Ton Yi"), pursuant to which Ton Yi agreed to purchase and the Company agreed to supply the Company's products (including but not limited to different kinds of juice concentrate) and provide the warehousing and other services relating to purchase to subsidiaries of Ton Yi, to regulate such product purchase between the Group and Ton Yi for the year ended 31 December 2019.

As the product purchase framework agreement expired on 31 December 2019, the Company and Ton Yi agreed to renew the transaction terms, and entered into the Ton Yi Renewal Agreement on 6 November 2019, whereby Ton Yi agreed to purchase and the Company agreed to supply the Company's products (including but not limited to different kinds of concentrated juice) and provide the warehousing and other services relating to purchase to subsidiaries of Ton Yi, to regulate such product purchase between the Group and Ton Yi for the period commencing on 1 January 2020 and expiring on 31 December 2021.

* *For identification purpose only*

Prices of the products to be supplied by the Company shall be determined according to the bidding principle by reference to the market price.

The annual cap of the products sold to Ton Yi for the period commencing on 1 January 2020 and expiring on 31 December 2021 was set as RMB21,000,000, mainly based on to the following factors: (i) the historical transaction amounts with Ton Yi for the sales of products; and (ii) the expectation that the prevailing market prices for the sales of the Company's products will remain stable. The actual sale of products and provision of warehousing services by the Group to Ton Yi for the year ended 31 December 2020 was RMB4,429,493 and was subject to annual review requirements under the Hong Kong Listing Rules.

As at the date of signing the Ton Yi Renewal Agreement, Ton Yi is a non-wholly owned subsidiary of Uni-President Enterprises Corp., a Shareholder of the Company. Uni-President Enterprises Corp., through its two wholly-owned subsidiaries, Chengdu President Enterprises Food Co., Ltd.* (成都統一企業食品有限公司) and Guangzhou President Enterprises Corp.* (廣州統一企業有限公司), held 63,746,040 domestic shares of the Company, representing approximately 17.81% of the total issued share capital of the Company, and 237,000 H shares of the Company, representing approximately 0.07% of the total issued share capital of the Company. Ton Yi is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the transactions under the Ton Yi Renewal Agreement between the Group and Ton Yi constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Since the highest applicable percentage ratio (other than the profit ratio) for the proposed annual cap under the Ton Yi Renewal Agreement is more than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions under the Ton Yi Renewal Agreement between the Company and Ton Yi are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

IV. CCT with Andre Construction and Installation

On 26 August 2020, the Company entered into a construction and installation services framework agreement with Yantai Andre Construction and Installation Engineering Co., Ltd.*(烟台安德利建築安裝工程有限公司) ("Andre Construction and Installation"), pursuant to which Andre Construction and Installation agreed to provide construction and installation services to the Group for the two financial years ending 31 December 2021.

As at the date of signing the agreement, Andre Construction and Installation is owned as to 51% and 49% by Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司) ("Andre Group") and Hongan International Investment Co. Ltd. ("Hongan International"), two substantial shareholders of the Company, respectively. Andre Construction and Installation is thus an associate of Andre Group and Hongan International. Under the Hong Kong Listing Rules, Andre Construction and Installation is a connected person of the Company. Therefore, the transactions contemplated under the construction and installation services framework agreement entered into between the Company and Andre Construction and Installation constitute continuing connected transactions of the Company. Since the highest applicable percentage ratio for each proposed annual cap for the continuing connected transactions contemplated under the construction and installation services framework agreement (other than the profit ratio) is higher than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules.

* *For identification purpose only*

Prices of services provided by Andre Construction and Installation shall be determined according to the market price.

For the two financial years ending 31 December 2021, the annual caps are RMB8,000,000 per year. The actual purchase for the year ended 31 December 2020 was RMB4,776,495 and was subject to annual review requirements under the Hong Kong Listing Rules.

In respect of the above continuing connected transactions of the Group, the Company's internal audit has reviewed the relevant transactions and ensured that internal control procedures are effective and adequate, and provided the findings to the independent non-executive Directors. The independent non-executive Directors have reviewed the related agreements and transactions contemplated thereunder and confirmed that these transactions:

(i) were entered into in the ordinary and usual course of business of the Group;

(ii) were conducted on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties;

(iii) were entered into in accordance with the terms of the respective agreements and were fair and reasonable and in the interests of the Company and its shareholders as a whole;

(iv) of which the aggregate annual amount were within the relevant annual caps (if any);

(v) have been conducted in accordance with the pricing policies or mechanisms under the framework agreement, including the pricing range, the process for determining the prices; and

(vi) for which the Group's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Da Hua Certified Public Accountants LLP, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Da Hua Certified Public Accountants LLP have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

Additional Connected transactions under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the "Shanghai Listing Rules")

Connected transactions with Mitsui

As at 31 December 2020, Mitsui & Co., Ltd. ("Mitsui") held 5.65% interests of the Company, for which it did not constitute a connected person of the Company under the Hong Kong Listing Rules. However, Mitsui and its subsidiaries were connected persons of the Company under the Shanghai Listing Rules, therefore, the Group's sales to Mitsui and its subsidiaries were deemed connected transactions under the Shanghai Listing Rules.

The prices of the Group's products supplied to Mitsui and its subsidiaries shall be determined based on (i) the Market Price (as defined below); and (ii) the Historical Price (as defined below), whichever is higher. The "Market Price" shall be determined in the following order: (1) the prices charged by an independent third party for selling the products under ordinary course of business at the place where the products are sold or the vicinity; or (2) the prices charged by an independent third party for selling the products under ordinary course of business in China.

The "Historical Price" shall be the average price for all the transactions of similar products with independent third parties within three consecutive months as set forth in the records supervised and maintained by the sales department of the Company.

For the year ended 31 December 2020, the Group's actual sales of juice products to Mitsui and its subsidiaries was approximately RMB49,874,323.

At the Board meeting held on 13 December 2018, the Directors considered and approved the annual caps for the Group's purchase from Mitsui and its subsidiaries for the next three years to regulate the Group's purchase from Mitsui and its subsidiaries from 1 January 2019 and up to 31 December 2021.

Connected transactions with Andre Pectin

As at 31 December 2020, a major shareholder of the Company, Andre Group, held 15.53% interests in Yantai DSM Andre Pectin Co., Ltd. ("Andre Pectin") (previously Yantai Andre Pectin Co., Ltd.), for which it did not constitute a connected person of the Company under the Hong Kong Listing Rules. However, Andre Pectin was constituted a connected person of the Company under the Shanghai Listing Rules. Hence, the Group's sales of pomace and juice products under the Pectin Renewal Agreement to Andre Pectin were deemed connected transactions under the Shanghai Listing Rules.

For the year ended 31 December 2020, the Group's actual sales of pomace and juice products to Andre Pectin was approximately RMB40,114,482.

The Pectin Renewal Agreement entered into by the Company and Andre Pectin on 13 December 2018 was still valid. A supplemental agreement signed on 6 November 2019 was entered into to regulate the product purchase between the Group and Andre Pectin for the period commencing on 1 January 2019 and expiring on 31 December 2021.

Related Party Transactions

During the year ended 31 December 2020, the Group entered into transactions with related parties as set out in Note X to the Financial Statements. Apart from the items disclosed in the section “Connected Transactions”, all other material related party transactions did not constitute non-exempt connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

Directors’ and Supervisors’ Interest in Contracts

Save as disclosed in this report, none of the Directors or the Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company was a party in 2020.

Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2020, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were (a) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); and (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the required standard of dealings by the directors of the Company as referred to in Appendix 10 of the Hong Kong Listing Rules were as follows:

Name of Directors	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/ H Shares	Approximate Percentage of Total Share Capital
Wang An (Note 1)	A Shares	101,010,501 (L)	Interest of controlled corporation (Note 2)	Personal	37.34% (L)	26.72% (L)
Wang Yanhui (Note 3)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.39% (L)	5.29% (L)
Zhang Hui (Note 5)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.39% (L)	5.29% (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 31 December 2020, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 A Shares, representing 12.26% interest in the total issued share capital of the Company; (b) 90% interest in Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司), which held 54,658,540 A Shares, representing 14.46% 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 31 December 2020, 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 A Shares, representing 5.29% of the total issued share capital of the Company.

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

(5) As at 31 December 2020, 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 A Shares, representing 5.29% of the total issued share capital of the Company.

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

* *For identification purpose only*

Substantial Shareholders' and Other Persons' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

As at 31 December 2020, so far as the Directors are aware, the following persons (other than the Directors, Supervisors and chief executive of the Company) had interests and short positions in the shares, underlying shares and debentures of the Company which were discloseable under Divisions 2 and 3 of Part XV of the SFO and recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/ H Shares	Approximate Percentage of Total Share Capital
China Pingan Investment Holdings Limited	A Shares	46,351,961 (L) (Note 1) (Note 11)	Beneficial owner	Corporate	17.13% (L)	12.26% (L)
Shandong Andre Group Co., Ltd.*	A Shares	54,658,540 (L) (Note 2) (Note 11)	Beneficial owner	Corporate	20.20% (L)	14.46% (L)
Donghua Fruit Industry Co., Ltd.	A Shares	65,779,459 (L) (Note 3) (Note 11)	Beneficial owner	Corporate	24.31% (L)	17.40% (L)
Uni-President Enterprises Corp.	A Shares	63,746,040 (L) (Note 4) (Note 12)	Interests of controlled corporations (Note 5)	Corporate	23.56% (L)	16.86% (L)
	H Shares	237,000 (L)	Beneficial owner (Note 6)	Corporate	0.22% (L)	0.06% (L)
Mitsui & Co., Ltd.	H Shares	21,340,000 (L)	Beneficial owner	Corporate	19.86% (L)	5.65% (L)
Hongan International Investment Co. Ltd.	A Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	24.31% (L)	17.40% (L)
	H Shares	17,222,880 (L) (Note 11)	Beneficial owner	Corporate	16.03% (L)	4.56% (L)
Zhang Shaoxia	A Shares	101,010,501 (L)	Interest of spouse (Note 7)	Personal	37.34% (L)	26.72% (L)
Wang Meng	A Shares	65,779,459 (L)	Interest of controlled corporations (Note 8)	Personal	24.31% (L)	17.40% (L)

* *For identification purpose only*

Name of Shareholders	Class of Shares	Number of Shares Held	Capacity	Type of Interest	Approximate Percentage of A Shares/ H Shares	Approximate Percentage of Total Share Capital
	H Shares	17,222,880 (L)	Interest of controlled corporations (Note 9)	Personal	16.03% (L)	4.56% (L)
Yantai Xingan Investment Centre (Limited Partnership)	A Shares	20,000,000 (L) (Note 12)	Beneficial Owner	Corporate	7.39% (L)	5.29% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Beneficial owner	Corporate	10.24% (L)	2.91% (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)	2.91% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	10.24% (L)	2.91% (L)
Chen Sheng	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Personal	10.24% (L)	2.91% (L)

Notes:

The letter "L" denotes a long position.

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

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

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

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

(5) Pursuant to Part XV of the SFO, Uni-President Enterprises Corp. (統一企業股份有限公司) was deemed to be interested in such 63,746,040 A Shares. The 63,746,040 A Shares were held by a series of controlled corporations of Uni-President Enterprises Corp. (統一企業股份有限公司), of which 42,418,360 A Shares, representing approximately 11.22% of the total issued share capital of the Company, were held directly by Chengdu President Enterprises Food Co., Ltd.(成都統一企業食品有限公司) and 21,327,680 A Shares, representing approximately 5.64% of the total issued share capital of the Company, were held directly by Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司).

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

(7) 101,010,501 A Shares were held by Mr. Wang An, the husband of Ms. Zhang Shaoxia, and therefore Ms. Zhang Shaoxia was deemed to be interested in these shares.

(8) Ms. Wang Meng indirectly held 100% of the issued share capital of Donghua Fruit Industry Co., Ltd., which in turn held 65,779,459 A 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 over 70% interest in Tiandi Yihao Beverage Co., Limited (天地壹號飲料股份有限公司).

(11) The lock-up period of these shares is 36 months, from 18 September 2020 to 17 September 2023.

(12) The lock-up period of these shares is from 18 September 2020 to 21 September 2021.

* *For identification purpose only*

Competing Interests

None of the Directors, the controlling Shareholder or their respective associates (as defined under the Hong Kong Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of the interest with the Group.

Sufficiency of Public Float

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company maintained the prescribed public float under the Hong Kong and Shanghai Listing Rules throughout the year ended 31 December 2020.

Practices and Procedures of the Board

The Company has adopted the required standard of dealings set out in Appendix 10 of the Hong Kong Listing Rules (the "Required Standard") as the Company's code of conduct regarding securities transactions by its Directors. A copy of the Required Standard was sent to each Director two months before the date of the Board meeting to approve the Company's 2020 annual results, with a reminder that the Directors cannot 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 Board 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 Board himself, he must notify the chairman of the Audit and Review Committee and receive a dated acknowledgement in writing before any dealing.

All Directors, upon specific enquiries, have confirmed that they had complied with the Required Standard during the reporting period.

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 year ended 31 December 2020.

Audit and Review Committee

The Company has established the Audit and Review Committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The primary duties of the Audit and Review Committee are to review and supervise the financial reporting process and internal control of the Group, ensuring compliance with Rules 3.21 to 3.24 of the Hong Kong Listing Rules. Currently the Audit and Review Committee comprises three independent non-executive Directors, namely Jiang Hong Qi, who is the chairman of the Audit and Review Committee, Li Wei and Li Yao.

During the reporting period, the Audit and Review Committee reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters with the Directors, including a review of the annual results for the year ended 31 December 2019. The Audit and Review Committee held six meetings during the year with all the then existing members present.

Compliance with Relevant Laws and Regulations

During the year ended 31 December 2020, the Group complied with all relevant laws and regulations which had a significant impact on the businesses and operations of the Group in all material aspects.

Auditor

Da Hua Certified Public Accountants LLP shall retire and a resolution for its re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

KPMG Huazhen LLP was the Company's auditor for the two years ended 31 December 2018 and 2019. Approved by the special general meeting of the Company on 1 December 2020, the shareholders agreed to appoint Da Hua Certified Public Accountants LLP as the auditor of the Company for the year ended 31 December 2020.

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

30 March 2021
Yantai, the PRC

* *For identification purpose only*

Report of the Supervisory Committee

To the Shareholders:

The Supervisory Committee (the "Supervisory Committee") of Yantai North Andre Juice Co., Ltd.*, in compliance with the relevant laws and regulations and the Articles of Association, has conducted its work in accordance with the fiduciary principle, and has taken up an active role to work seriously and with diligence to protect the interests of the Company and its Shareholders.

During the year, the Supervisory Committee reviewed cautiously the operation and development plans of the Company and provided reasonable suggestions and opinions to the Board. It also strictly and effectively monitored and supervised the Company's management in making significant policies and decisions to ensure that they were in compliance with the laws and regulations of the PRC and the Articles of Association, and in the interests of its Shareholders.

We have reviewed and agreed to the report of the Directors, audited financial statements and the dividend to be proposed by the Board for presentation at the forthcoming annual general meeting. We are of the opinion that the Directors, the chief executive officer and other senior management of the Company are able to strictly observe their fiduciary duty, to act diligently, to exercise their authority faithfully in the best interests of the Company and to work in accordance with the Articles of Association. The operation is becoming more regulated and the internal control is constantly improved. The transactions between the Company and connected parties are in the interests of the Shareholders as a whole and under fair and reasonable price.

Up till now, none of the Directors, chief executive officer and senior management staff had been found to have abused their authority, damaged the interests of the Company or infringed upon the interests of its Shareholders and employees. None of them was found to be in breach of any laws and regulations or the Articles of Association.

The Supervisory Committee is satisfied with the achievement and cost-effectiveness of the Company in 2020 and has great confidence in the future prospect of the Company.

By Order of the Supervisory Committee
Yantai North Andre Juice Co., Ltd.*
Dai Li Ying

30 March 2021

* *For identification purpose only*

Auditors' Report

Dahua Shen Zi [2021] No.002664

All shareholders of Yantai North Andre Juice Co., Ltd.:

I. Audit opinion

We have audited the accompanying financial statements of Yantai North Andre Juice Company Limited ("ANDRE JUICE"), which comprise the consolidated and company balance sheets as at 31 December 2020, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of ANDRE JUICE as at 31 December 2020, and the consolidated and company financial performance and cash flows of Andre for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Andre in accordance with the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are listed as follows:

1. Loss allowance for accounts receivable

2. Income recognition

3. Inventory recognition

(I) Loss allowance for accounts receivable

1. *Event description*

Please refer to Note IV (XI) and Note VI. 4 to the financial statements for accounting policies and accounting estimates of trade receivables and carrying amounts. The balance of accounts receivable at the end of the period of ANDRE JUICE was RMB195,136,684.76 and the loss allowance of accounts receivable was RMB18,563,774.08. The accounts receivable of ANDRE JUICE was mainly arose from sales of condensed fruit juice and related products.

Management measures the loss allowance at an amount equal to life time expected credit loss based on estimated loss rates for the receivables. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of Andre Group's customers, current market conditions, customer specific conditions, and forward- looking information. Such assessment involves significant management judgement and estimation.

We identified the loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.

2. *How the matter was addressed in our audit*

Our audit procedures to assess the loss allowance for trade receivables included the following:

(1) Obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and estimating the credit loss allowance;

(2) Assessing whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation (including the acknowledgement of receipt of goods or bill of lading), on a sample basis;

(3) Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including the judgement of segmentation of the accounts receivable based on credit risk characteristics of customers and the historical default data in management's estimated loss rates;

(4) Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward- looking information;

(5) Inspecting, on a sample basis, cash receipts from debtors subsequent to the reporting date relating to trade receivable balances as at 31 December 2020;

(6) Evaluating the Andre Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards;

Based on the audit performed, we conclude that the management's judgement and estimation on the loss allowance of trade receivables used in the expected credit loss method are appropriate.

(II) Income recognition

1. *Event description*

Please refer to Note IV (XXIV) and Note VI. 28 to the financial statements for accounting policies and accounting estimates of revenue and carrying amounts. In 2020, the operating income of ANDRE JUICE was RMB842,019,695.12, representing an increase of 0.46% as compared with the corresponding period of last year. Revenue recognition is a key audit matter because of the importance of revenue to the financial statements as a whole and the risk of misstatement that management may manipulate revenue recognition to achieve specific goals or expectations.

2. *How the matter was addressed in our audit*

For the authenticity, completeness and accuracy of operating income, the audit procedures we performed mainly include:

(1) Understand and test the design and implementation of internal control systems and financial accounting system related to sales and collection;

(2) Execute analytical audit procedures, analyze different customers, regions and periods, and judge the rationality of changes in operating income and gross profit margin;

(3) Perform detailed tests for different revenue recognition methods, check and check the inventory receipt and delivery records of the warehouse, receipt records of customers, export declaration records of the customs and financial accounting records, and confirm the accuracy of operating revenue;

(5) Confirm the authenticity and accuracy of the operating income by sending confirmation letter to the customers;

(6) Carry out aging analysis on the accounts receivable, check the credit granting, collection records and collection after maturity, etc. To confirm the authenticity of the accounts receivable;

(7) Implement cut-off tests for different business models to determine whether revenue is recognised in the appropriate period;

(8) Check the returns after the period to confirm the authenticity of the operating income.

Based on the audit performed, we are of the opinion that the recognition of income of ANDRE JUICE meets the relevant requirements of the Accounting Standards for Business Enterprises.

(III) Recognition of inventories

1. *Description of the matter.*

Please refer to Note IV (XIV) and Note VI. 7 to the financial statements for accounting policies and accounting estimates and carrying amounts of inventories. The carrying amount of ANDRE JUICE at the end of the period was RMB664,477,186.52, accounting for 29.87% of the assets and the inventories would have a significant impact on the Company's financial statements. Accordingly, we recognised inventories as a key audit matter.

2. *Audit response*

For the recognition and measurement of inventories, our audit procedures mainly include:

(1) Understand and test the design and implementation of internal control systems and financial accounting system related to inventories recognition;

(2) Check that the recognition and measurement of inventories are in compliance with the Accounting Standards, with the former and the latter being consistent, in combination with the information obtained when learning about ANDRE JUICE and its environment;

(3) Perform analysis procedures: compare the carrying amount of inventories in the current period with the carrying amount of inventories in the previous period, and analyze whether the changes in inventories are abnormal; Select the main inventory products, comparing the purchase price fluctuations of each month of the current period, and analyzing whether the change trend is consistent with the market trend; Compare and analyzing the current gross profit margin of the important products with the enterprises in the same industry, and confirm whether the inventory cost carry-forward is reasonable;

(4) Sent confirmation letter to key suppliers;

(5) Perform a cut-off test on the purchase receipt and inventory issue, and check whether there is any inter-period phenomenon in the purchase receipt and issue by checking the receipt documents, issue documents, transportation information, receipt records, inventory estimation lists, etc. Before and after the balance sheet date;

(6) Testing the pricing of the inventory goods: checking whether the pricing methods of the inventory goods are consistent in the earlier and later stages; Checking whether the accounting basis and pricing method of the inventories are correct; Check whether the issue pricing of the inventory goods is correct; Paying attention to whether the prices of related party transactions are fair;

(7) Carry out on-the-spot inspection of inventories before and after the balance sheet date and roll them back to the balance sheet date for quantity and amount to confirm whether the quantity is true;

(8) On the balance sheet date, test and analyze the loss of inventories due to price drop: check and analyze whether there is any indication of impairment of inventories to judge whether the Company's provision for inventories due to price drop is reasonable, and whether the basis and method for provision for inventories due to price drop are consistent; Comparative analysis of inventory balances with existing orders, post balance sheet sales and external market demand environment to assess the likelihood of inventory slow-moving and falling prices; In combination with the inventory supervision, examine the physical appearance of the inventories to see whether their physical appearance is normal, and examine the perpetual inventory records for the defective and damaged inventories to determine whether a reasonable provision for depreciation has been made. Evaluate the information, assumptions and accrual method on which the provision for the decline in value of inventories is based based on the valuation method of the lower of cost and net realisable value, consider whether there is any conclusive evidence to calculate and determine the net realisable value of inventories, and check its reasonableness; Considering the determination principle of net realisable value of different inventories, and reviewing the correctness of the calculation of net realisable value; Spot check the items for which provision is made for inventory depreciation, and check whether the selling price after the period is lower than the carrying cost at the end of the period.

Based on the audit performed, we conclude that the recognition and measurement of inventories are appropriate.

IV. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Andre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Andre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Andre's financial reporting process.

V. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Andre's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Andre to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Andre Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants (Special General Partnership)	*Certified Public Accountants* **(Engagement Partner)**	**Lin Zili**
Beijing, China	*Certified Public Accountants*	**Yuan Renhuan**

30 March 2021

Consolidated Balance Sheet

As at 31 December 2020
(Expressed in Renminbi Yuan)

Assets	Note	Closing Balance	Opening Balance
Current assets:			
Cash at bank and on hand	VI. 1	**187,978,630.88**	274,050,303.01
Financial assets held for trading	VI. 2	**287,617,293.20**	–
Bills receivable	VI. 3	**5,572,474.00**	2,944,117.50
Accounts receivable	VI. 4	**176,572,910.68**	216,312,169.46
Prepayments	VI. 5	**2,435,171.66**	4,676,889.68
Other receivables	VI. 6	**1,293,631.96**	86,037,196.73
Inventories	VI. 7	**664,477,186.52**	647,020,754.26
Other current assets	VI. 8	**124,666,330.03**	20,342,931.55
Total current assets		**1,450,613,628.93**	1,251,384,362.19
Non-current assets:			
Fixed assets	VI. 9	**667,605,005.22**	687,534,841.45
Construction in progress	VI. 10	**6,282,281.59**	2,442,322.07
Intangible assets	VI. 11	**90,185,449.10**	92,733,393.79
Goodwill	VI. 12	**5,586,976.43**	5,586,976.43
Other non-current assets	VI. 14	**4,086,210.22**	–
Total non-current assets		**773,745,922.56**	788,297,533.74
Total assets		**2,224,359,551.49**	2,039,681,895.93

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

Consolidated Balance Sheet

As at 31 December 2020
(Expressed in Renminbi Yuan)

Liabilities and shareholders'equity	*Note*	**Closing Balance**	Opening Balance
Current liabilities:			
Accounts payable	*VI. 15*	**63,179,732.56**	50,333,298.68
Contract liabilities	*VI. 16*	**1,359,029.04**	1,068,780.55
Employee benefits payable	*VI. 17*	**20,521,257.56**	15,698,188.49
Taxes payable	*VI. 18*	**4,069,730.55**	2,667,442.99
Other payables	*VI. 19*	**13,381,726.13**	16,807,137.46
Other current liabilities	*VI. 20*	**300,000.00**	–
Total current liabilities		**102,811,475.84**	86,574,848.17
Non-current liabilities:			
Long-term payables	*VI. 20*	**1,581,524.00**	1,634,491.00
Deferred income	*VI. 21*	**12,175,430.80**	39,000,000.00
Total non-current liabilities		**13,756,954.80**	40,634,491.00
Total liabilities		**116,568,430.64**	127,209,339.17
Shareholders' equity:			
Share capital	*VI. 23*	**378,000,000.00**	358,000,000.00
Capital reserve	*VI. 24*	**118,791,715.23**	17,291,715.23
Less: treasury shares	*VI. 25*	**77,959,708.11**	–
Surplus reserve	*VI. 26*	**136,586,052.71**	128,215,584.54
Retained earnings	*VI. 27*	**1,552,373,061.02**	1,408,965,256.99
Total equity attributable to shareholders of the company		**2,107,791,120.85**	1,912,472,556.76
Non-controlling interests		**–**	–
Total shareholders' equity		**2,107,791,120.85**	1,912,472,556.76
Total liabilities and shareholders' equity		**2,224,359,551.49**	2,039,681,895.93

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

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

Company Balance Sheet

As at 31 December 2020
(Expressed in Renminbi Yuan)

Assets	Note	Closing Balance	Opening Balance
Current assets:			
Cash at bank and on hand		**153,194,363.03**	231,377,965.46
Financial assets held for trading		**287,617,293.20**	–
Bills receivable		**5,072,474.00**	1,875,117.50
Accounts receivable	XIV. 1	**118,084,805.61**	139,618,261.26
Prepayments		**153,847.39**	368,111.24
Other receivables	XIV. 2	**172,214,932.03**	278,780,741.18
Inventories		**82,408,041.25**	59,012,031.96
Other current assets		**110,487,515.73**	5,771,651.88
Total current assets		**929,233,272.24**	716,803,880.48
Non-current assets:			
Long-term equity investments	XIV. 3	**429,794,824.28**	429,794,824.28
Fixed assets		**124,556,199.04**	142,078,301.63
Intangible assets		**28,346,016.95**	29,285,599.66
Total non-current assets		**582,697,040.27**	601,158,725.57
Total assets		**1,511,930,312.51**	1,317,962,606.05

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

Company Balance Sheet

As at 31 December 2020
(Expressed in Renminbi Yuan)

Liabilities and shareholders' equity	*Note*	**Closing Balance**	Opening Balance
Current liabilities:			
Accounts payable		**36,140,962.58**	30,577,090.17
Contract liabilities		**967,744.51**	342,561.26
Employee benefits payable		**3,222,296.31**	1,413,686.01
Taxes payable		**607,993.49**	655,516.90
Other payables		**355,160,045.51**	296,387,455.16
Total current liabilities		**396,099,042.40**	329,376,309.50
Total liabilities		**396,099,042.40**	329,376,309.50
Shareholders' equity:			
Share capital		**378,000,000.00**	358,000,000.00
Capital reserve		**145,034,413.08**	43,534,413.08
Less: treasury shares		**77,959,708.11**	–
Surplus reserve		**136,586,052.71**	128,215,584.54
Retained earnings		**534,170,512.43**	458,836,298.93
Total equity attributable to shareholders of the company		**1,115,831,270.11**	988,586,296.55
Non-controlling interests			
Total shareholders' equity		**1,511,930,312.51**	1,317,962,606.05

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

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

Consolidated Income Statement

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
I Operating income	VI.28	**842,019,695.12**	838,127,336.92
Less: Operating costs	VI.28	**640,995,527.94**	573,842,672.89
Taxes and surcharges	VI.29	**9,845,444.00**	10,203,440.93
Selling and distribution expenses	VI.30	**4,371,025.15**	44,780,834.09
General and administrative expenses	VI.31	**54,939,899.19**	54,272,803.11
Research and development expenses	VI.32	**7,907,103.54**	2,416,544.70
Financial expenses	VI.33	**11,989,992.63**	-6,467,940.00
Including: Interest expenses		**37,033.00**	43,123.00
Interest income		**6,248,857.07**	4,529,493.63
Add: Other income	VI.34	**2,899,060.47**	2,455,441.92
Investment income	VI.35	**15,978,848.76**	10,063,052.11
Profits arising from changes in fair value	VI.36	**37,617,300.70**	–
Credit losses	VI.37	**-10,206,605.43**	-426,620.00
Impairment losses	VI.38	**-4,927,786.77**	387,519.00
Gains/(losses) from asset disposals	VI.39	**8,880.33**	31,187.40
II Operating profit		**153,340,400.73**	171,589,561.63
Add: Non-operating income	VI.40	**4,099.14**	4,529.46
Less: Non-operating expenses	VI.41	**1,404,355.91**	2,056,151.97
III Profit before taxation		**151,940,143.96**	169,537,939.12
Less: Income tax expenses	VI.42	**161,871.76**	269,215.38
IV Net profit		**151,778,272.20**	169,268,723.74
Classified by continuity of operations			
Net profit from continuing operations		**151,778,272.20**	169,268,723.74
Net profit from discontinued operations		**–**	–
Classified by ownership of the equity			
Attributable to non-controlling interests		**151,778,272.20**	169,268,723.74
Attributable to shareholders of the Company		**–**	–
V Total comprehensive income		**151,778,272.20**	169,268,723.74
Attributable to shareholders of the Company		**151,778,272.20**	169,268,723.74
Attributable to non-controlling interests		**–**	–
VII Earnings per share			
Basic earnings per share		**0.41**	0.47
Diluted earnings per share		**0.41**	0.47

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

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

Company Income Statement

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
I Operating income	*XIV. 4*	**570,864,472.84**	504,823,361.20
Less: Operating costs	*XIV. 4*	**551,933,207.66**	421,486,373.65
Taxes and surcharges		**3,391,674.36**	2,502,077.05
Selling and distribution expenses		**3,169,260.39**	22,252,244.27
General and administrative expenses		**17,186,075.84**	18,056,960.96
Research and development expenses		**2,496,724.49**	2,416,544.70
Financial expenses		**6,764,820.52**	-6,688,398.91
Including: Interest expenses		**–**	6,090.00
Interest income		**5,481,184.45**	3,961,924.24
Add: Other income		**416,583.91**	1,753,961.81
Investment income	*XIV. 5*	**57,521,293.47**	156,849,834.19
Profits arising from changes in fair value		**37,617,300.70**	–
Credit losses		**-6,313,162.42**	3,545,408.00
Impairment losses		**-999,430.57**	-642,414.56
Gains/(losses) from asset disposals		**9,656,777.74**	31,187.40
II Operating profit		**83,822,072.41**	206,335,536.32
Add: Non-operating income		**2,780.00**	800.00
Less: Non-operating expenses		**120,170.74**	200.00
III Profit before taxation		**83,704,681.67**	206,336,136.32
IV Net profit		**83,704,681.67**	206,336,136.32
Net profit from continuing operations		**83,704,681.67**	206,336,136.32
Net profit from discontinued operations			
V Total comprehensive income		**83,704,681.67**	206,336,136.32

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

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

Consolidated Cash Flow Statements

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Note	**For the year ended 31 December 2020**	For the year ended 31 December 2019
I. Cash flows from operating activities:			
Proceeds from sale of goods and rendering of services		**955,065,040.36**	862,791,515.08
Refund of taxes and surcharges		**61,564,425.19**	54,535,514.96
Cash received relating to other operating activities	*VI. 43*	**57,643,392.90**	12,882,111.92
Sub total of cash inflows		**1,074,272,858.45**	930,209,141.96
Cash paid for goods and services		**741,539,993.39**	758,033,890.48
Cash paid to and on behalf of employees		**56,454,204.20**	67,240,238.12
Payments of taxes and surcharges		**25,424,315.85**	28,254,016.09
Cash paid relating to other operating activities	*VI. 43*	**39,607,482.89**	65,322,813.01
Sub total of cash outflows		**863,025,996.33**	918,850,957.70
Net cash flows from operating activities		**211,246,862.12**	11,358,184.26
II. Cash flows from investing activities			
Cash received from disposal of investments		**4,653,980,000.00**	5,291,430,000.00
Cash received from returns on investments		**15,868,362.17**	10,063,052.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**46,499,549.31**	–
Cash received relating to other investing activities	*VI. 43*	**6,248,857.07**	4,529,493.63
Sub total of cash inflows		**4,722,596,768.55**	5,306,022,545.74
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**52,858,060.83**	47,674,271.21
Cash paid to acquire investments		**5,004,491,773.32**	5,291,430,000.00
Sub total of cash outflows		**5,057,349,834.15**	5,339,104,271.21
Net cash flows from investing activities		**-334,753,065.60**	-33,081,725.47

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

Consolidated Cash Flow Statements

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Note	**For the year ended 31 December 2020**	For the year ended 31 December 2019
III. Cash flows fro financing activities			
Cash received from investments		**128,964,150.94**	–
Proceeds from other financing activities	*VI. 43*	**–**	1,050,000.00
Sub-total of cash inflows		**128,964,150.94**	1,050,000.00
Repayments of borrowings		**–**	50,090,000.00
Payments for dividends and interest		**–**	35,873,080.00
Payments for other financing activities	*VI. 43*	**85,423,858.45**	–
Sub-total of cash outflows		**85,423,858.45**	85,963,080.00
Net cash outflow from financing activities		**43,540,292.49**	-84,913,080.00
IV. Effect of foreign currency exchange rate changes on cash and cash equivalents		**-6,216,247.73**	2,000,317.01
V. Net (decrease)/increase in cash and cash equivalents		**-86,182,158.72**	-104,636,304.20
Add: Cash and cash equivalents at the beginning of the year		**274,050,303.01**	378,686,607.21
VI. Cash and cash equivalents at the end of the year		**187,868,144.29**	274,050,303.01

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

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

Company Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Current Period	Prior Period
I Cash flows from operating activities:		
Proceeds from sale of goods and rendering of services	**589,686,798.22**	534,966,412.23
Refund of taxes and surcharges	**43,381,702.41**	40,459,998.70
Cash received relating to other operating activities	**11,389,369.60**	11,286,986.33
Sub total of cash inflows	**644,457,870.23**	586,713,397.26
Cash paid for goods and services	**631,531,982.45**	548,931,066.00
Cash paid to and on behalf of employees	**12,363,299.82**	17,086,098.06
Payments of taxes and surcharges	**3,431,279.73**	2,193,997.19
Cash paid relating to other operating activities	**12,187,801.00**	29,040,546.91
Sub total of cash outflows	**659,514,363.00**	597,251,708.16
Net cash flows from operating activities	**-15,056,492.77**	-10,538,310.90
II Cash flows from investing activities		
Cash received from disposal of investments	**4,539,580,000.00**	5,241,430,000.00
Cash received from returns on investments	**56,899,026.06**	156,849,834.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**19,983,623.36**	167,023.73
Cash received relating to other investing activities	**171,260,305.27**	3,961,924.24
Sub total of cash inflows	**4,787,722,954.69**	5,402,408,782.16
Cash paid to acquire fixed assets, intangible assets and other long-term assets	**1,457,825.04**	2,360,827.85
Cash paid to acquire investments	**4,889,579,992.50**	5,241,430,000.00
Cash paid relating to other investing activities	**–**	134,011,188.16
Sub total of cash outflows	**4,891,037,817.54**	5,377,802,016.01
Net cash flows from investing activities	**-103,314,862.85**	24,606,766.15

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

Company Cash Flow Statement

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Current Period	Prior Period
III Cash flows fro financing activities		
Cash received from investments	**128,964,150.94**	–
Proceeds from other financing activities	**–**	1,050,000.00
Sub-total of cash inflows	**128,964,150.94**	1,050,000.00
Repayments of borrowings	**–**	50,000,000.00
Payments for dividends and interest	**–**	35,873,080.00
Payments for other financing activities	**85,423,858.45**	–
Sub-total of cash outflows	**85,423,858.45**	85,873,080.00
Net cash outflow from financing activities	**43,540,292.49**	-84,823,080.00
IV Effect of foreign currency exchange rate changes on cash and cash equivalents	**-3,463,025.89**	1,149,433.21
V Net (decrease)/increase in cash and cash equivalents	**-78,294,089.02**	-69,605,191.54
Add: Cash and cash equivalents at the beginning of the year	**231,377,965.46**	300,983,157.00
VI Cash and cash equivalents at the end of the year	**153,083,876.44**	231,377,965.46

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

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Current Period						
	Equity attributable to parent company						
	Share capital	Capital reserves	Less: Treasury stock	Surplus reserve	Retained earnings	Non-controlling interests	Total owners' equity
I Closing balance of last year	358,000,000.00	17,291,715.23	-	128,215,584.54	1,408,965,256.99	-	1,912,472,556.76
II Opening balance of current year	358,000,000.00	17,291,715.23	-	128,215,584.54	1,408,965,256.99	-	1,912,472,556.76
III Increase/decrease for current year	20,000,000.00	101,500,000.00	77,959,708.11	8,370,468.17	143,407,804.03	-	195,318,564.09
a) Total comprehensive income	-	-	-	-	151,778,272.20	-	151,778,272.20
b) Owner's contributions to and withdrawals of captial	20,000,000.00	101,500,000.00	-	-	-	-	121,500,000.00
i. Common stock contributed/paid-in capital by shareholders/owners	20,000,000.00	101,500,000.00	-	-	-	-	121,500,000.00
c) Profits distribution	-	-	-	8,370,468.17	-8,370,468.17	-	-
i. Appropriation of surplus reserve	-	-	-	8,370,468.17	-8,370,468.17	-	-
ii. Distribution to owners	-	-	-	-	-	-	-
d) Others	-	-	77,959,708.11	-	-	-	-77,959,708.11
IV Closing balance of current year	378,000,000.00	118,791,715.23	77,959,708.11	136,586,052.71	1,552,373,061.02	-	2,107,791,120.85

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

Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020
(Expressed in Renminbi Yuan)

Items	Prior Period						
	Equity attributable to parent company						
	Share capital	Other equity instruments	Capital reserves	Surplus reserve	Retained earnings	Non-controlling interests	Total owners' equity
I Closing balance of last year	358,000,000.00	–	17,291,715.23	107,581,971.47	1,296,130,146.32	–	1,779,003,833.02
II Opening balance of current year	358,000,000.00	–	17,291,715.23	107,581,971.47	1,296,130,146.32	–	1,779,003,833.02
III Increase/decrease for current year	–	–	–	20,633,613.07	112,835,110.67	–	133,468,723.74
a) Total comprehensive income	–	–	–		169,268,723.74	–	169,268,723.74
b) Profits distribution	–	–	–	20,633,613.07	-56,433,613.07	–	-35,800,000.00
i. Appropriation of surplus reserve	–	–	–	20,633,613.07	-20,633,613.07	–	
ii. Distribution to owners	–	–	–		-35,800,000.00	–	-35,800,000.00
IV Closing balance of current year	358,000,000.00	–	17,291,715.23	128,215,584.54	1,408,965,256.99	–	1,912,472,556.76

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

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

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020

(Expressed in Renminbi Yuan))

Items	Current Period					
	Paid-in capital	Capital reserves	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
I Closing balance of last year	358,000,000.00	43,534,413.08	-	128,215,584.54	458,836,298.93	988,586,296.55
II Opening balance of current year	358,000,000.00	43,534,413.08	-	128,215,584.54	458,836,298.93	988,586,296.55
III Increase/decrease for current year	20,000,000.00	101,500,000.00	77,959,708.11	8,370,468.17	75,334,213.50	181,664,389.78
a) Total comprehensive income	-	-	-	-	83,704,681.67	83,704,681.67
b) Owner's contributions to and withdrawals of captial	20,000,000.00	101,500,000.00	-	-	-	121,500,000.00
i. Common stock contributed/paid-in capital by shareholders/owners	20,000,000.00	101,500,000.00	-	-	-	121,500,000.00
c) Profits distribution	-	-	-	8,370,468.17	-8,370,468.17	-
i. Appropriation of surplus reserve	-	-	-	8,370,468.17	-8,370,468.17	-
ii. Distribution to owners	-	-	-	-	-	-
d) Others	-	-	77,959,708.11	-	-	-77,959,708.11
IV Closing balance of current year	378,000,000.00	145,034,413.08	77,959,708.11	136,586,052.71	534,170,512.43	1,115,831,270.11

Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2020

(Expressed in Renminbi Yuan)

Items	Prior Period					
	Paid-in capital	Capital reserves	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
I Closing balance of last year	358,000,000.00	43,534,413.08	–	107,581,970.91	308,933,776.24	818,050,160.23
II Opening balance of current year	358,000,000.00	43,534,413.08	–	107,581,970.91	308,933,776.24	818,050,160.23
III Increase/decrease for current year	–	–	–	20,633,613.63	149,902,522.69	170,536,136.32
a) Total comprehensive income	–	–	–	–	206,336,136.32	206,336,136.32
b) Profits distribution	–	–	–	20,633,613.63	-56,433,613.63	-35,800,000.00
i. Appropriation of surplus reserve	–	–	–	20,633,613.63	-20,633,613.63	–
ii. Distribution to owners	–	–	–	–	-35,800,000.00	-35,800,000.00
IV Closing balance of current year	358,000,000.00	43,534,413.08	–	128,215,584.54	458,836,298.93	988,586,296.55

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

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

I Company status

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

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

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

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

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

After years of bonus share distribution, placing of new shares, conversion of share capital and issuance of new shares, as of December 31, 2020, the Company had a total share capital of 378,000,000 shares with a registered capital of RMB378,000,000,Its registered address is 18 Andre Avenue, Muping Economic Development Zone, Yantai City, Shandong Province, and the actual controllers are Wang An and Wang Meng.

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

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

(III) Approval of financial statements

The financial statements were approved for presentation by the Board of Directors of the Company on 30 March 2021.

(Expressed in Renminbi Yuan unless otherwise indicated)

II Scope of consolidated financial statements

There are 11 subsidiaries included in the scope of the consolidated financial statements in the current period, including:

Name of subsidiary	Subsidiary type	Rank	Shareholding (%)	Voting Rights (%)
Baishui Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Yantai Longkou Andre Juice Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Xuzhou Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
North Andre Juice Company Limited (USA) Inc.	Wholly-owned subsidiary	2	100.00	100.00
Dalian Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Yantai Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Yongji Andre Juice Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Anyue Andre Lemon Industry Technology Co., Ltd.	Wholly-owned subsidiary	1	100.00	100.00
Liquan Yitong Juice Co., Ltd.	Wholly-owned subsidiary	2	100.00	100.00
Yantai Andre Drinking Water Co., Ltd.	Subsidiary	1	85.00	85.00

Compared with the previous period, the number of entities included in the consolidated financial statements for the current period increased by 1, among which:

1. **Subsidiaries newly included in the scope of consolidation in the current period, special purpose entities, and operating entities that form control by way of entrusted operation or lease**

Name	Reason for change
Yantai Andre Drinking Water Co., Ltd.	Establishment

III Basis for preparing financial statements

(I) Basis for preparing financial statements

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

(II) Going concern

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

IV Significant accounting policies, accounting estimates

(I) Statement of Compliance with Accounting Standards for Business Enterprises

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

(II) Accounting period

The accounting period is from 1 January to 31 December.

(III) Functional currency

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

IV Significant accounting policies, accounting estimates (cont'd)

(IV) Accounting for business combinations under the same control and under different controls

1. *When the terms, conditions and economic impact of each transaction in the process of achieving a business combination step by step meet one or more of the following conditions, multiple transactions are accounted for as a package transaction*
   (1) These transactions were entered into simultaneously or with mutual influence in mind;

   (2) These transactions as a whole can achieve a complete commercial outcome;

   (3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

   (4) A transaction is uneconomical on its own, but economic when considered in conjunction with other transactions.

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(IV) Accounting for business combinations under the same control and under different controls (cont'd)

2. *Business combinations involving entities under common control (cont'd)*

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

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

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

   (1) The business combination contract or agreement has been approved by the internal authority of the Company.

   (2) the enterprise merger matters need to be approved by the relevant competent departments of the state, has been approved.

   (3) has handled the necessary formalities for the transfer of property rights.

   (4) The Company has paid the majority of the consolidated price and is able and planned to pay the remaining amount.

   (5) The Company has actually controlled the financial and operating policies of the acquiree, and enjoys corresponding benefits and bears corresponding risks.

IV Significant accounting policies, accounting estimates (cont'd)

(IV) Accounting for business combinations under the same control and under different controls (cont'd)

3. *Business combinations involving entities not under common control (cont'd)*
The Company measures assets, liabilities incurred or assumed as consideration for a business combination at fair value at the date of purchase, and the difference between the fair value and its carrying amount is included in the profit or loss of the current period.

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(V) Consolidated financial statements

1. *Scope of consolidation*

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

2. *Consolidation procedure*

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(V) Consolidated financial statements (cont'd)

2. Consolidation procedure (cont'd)

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

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

(1) Add a subsidiary or business

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(V) Consolidated financial statements (cont'd)

2. Consolidation procedure (cont'd)

(1) Add a subsidiary or business (cont'd)

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

(2) Dispose of a subsidiary or business

1) General treatment

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(V) Consolidated financial statements (cont'd)

2. Consolidation procedure (cont'd)

(2) Dispose of a subsidiary or business (cont'd)

2) Disposal of subsidiaries step by step

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

A. The transactions were entered into simultaneously or with mutual influence in mind;

B. The transactions as a whole are capable of achieving a complete commercial outcome;

C. The occurrence of one transaction depends on the occurrence of at least one other transaction;

D. The transaction is uneconomical by itself but economic when considered in conjunction with other transactions.

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(V) Consolidated financial statements (cont'd)

2. Consolidation procedure (cont'd)

(3) Purchase of minority interests in subsidiaries

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

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

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

(VI) Classification of joint arrangements and accounting for joint operations

1. Classification of joint arrangements

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

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

(1) The legal form of the joint arrangement indicates that the parties to the joint arrangement have rights and obligations respectively over the relevant assets and liabilities under the arrangement.

(2) The contractual terms of the joint arrangement stipulate that the parties to the joint arrangement shall have rights and obligations respectively in respect of the relevant assets and liabilities under the arrangement.

(3) Other relevant facts and circumstances indicate that the parties have rights and obligations respectively over the relevant assets and liabilities under the arrangement, such as the parties have substantially all the outputs related to the joint arrangement and the settlement of the liabilities under the arrangement continues to depend on the support of the parties.

IV Significant accounting policies, accounting estimates (cont'd)

(VI) Classification of joint arrangements and accounting for joint operations (cont'd)

2. *Accounting for joint operations*

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

(1) Recognising assets held separately and jointly held assets in proportion to their share;

(2) Recognition of liabilities that are assumed individually and of liabilities that are shared in proportion to their share;

(3) Recognition of revenue arising from the disposal of their share of joint operating outputs;

(4) Revenue from the disposal of outputs from joint operations is recognised at its share;

(5) Recognise expenses incurred separately and recognise expenses incurred in joint operations in proportion to their share.

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(VII) Criteria for determining cash and cash equivalents

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

(VIII) Foreign currency transactions and translation of foreign currency statements

1. *Foreign currency transaction*

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

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

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

2. *Translation of foreign currency financial statements*

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

IV Significant accounting policies, accounting estimates (cont'd)

(VIII) Foreign currency transactions and translation of foreign currency statements (cont'd)

2. *Translation of foreign currency financial statements (cont'd)*

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

(IX) Financial instruments

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

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

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

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

1. *Classification and measurement of financial assets*

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

(1) Financial assets measured in amortized cost.

(2) Financial assets at fair value through other comprehensive income.

(3) Financial assets at fair value through profit or loss.

IV Significant accounting policies, accounting estimates (cont'd)

(IX)Financial instruments (cont'd)

1. *Classification and measurement of financial assets (cont'd)*

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

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

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

(1) Classified as financial assets measured in amortized cost

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

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

1) For financial assets that have been acquired or originated for credit impairment, the Company calculates and determines the interest income based on the amortized cost and credit-adjusted effective interest rate of the financial assets from initial recognition.

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

1. *Classification and measurement of financial assets (cont'd)*

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

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

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

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

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

1. *Classification and measurement of financial assets (cont'd)*

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

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

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

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

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

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

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

1) Embedded derivatives do not materially change the cash flows of the hybrid contract.

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

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

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

2. *Classification and measurement of financial liabilities*

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

2. *Classification and measurement of financial liabilities (cont'd)*

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

Subsequent measurement of financial liabilities depends on their classification:

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

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

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

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

1) Accounting mismatches can be eliminated or significantly reduced.

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

2. Classification and measurement of financial liabilities (cont'd)

(2) Other financial liabilities

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

1) Financial liabilities at fair value through profit or loss.

2) Financial liabilities arising from the transfer of a financial asset that does not meet the conditions for derecognition or continues to be involved in the transferred financial asset.

3) Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category 1) of this article for loans at below-market interest rates.

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

3. Derecognition of financial assets and financial liabilities

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

1) The contractual right to receive the cash flows from the financial asset is terminated.

2) The financial asset has been transferred and the transfer meets the requirements for derecognition of the financial asset.

(2) Conditions for derecognition of financial liabilities

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX)Financial instruments (cont'd)

3. *Derecognition of financial assets and financial liabilities (cont'd)*

(2) Conditions for derecognition of financial liabilities (cont'd)

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

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

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

(1) Where substantially all the risks and rewards of ownership of a financial asset are transferred, the financial asset is derecognised and the rights and obligations arising or retained in the transfer are recognised separately as assets or liabilities.

(2) A financial asset is recognised if it retains substantially all the risks and rewards of ownership.

(3) Where substantially all the risks and rewards of ownership of a financial asset have not been transferred or retained (i.e, other than those in (1) and (2) of this Article), they are dealt with in the following circumstances, depending on whether they retain control over the financial asset:

1) Where control over the financial asset is not retained, the financial asset is derecognised and the rights and obligations arising or retained in the transfer are recognised separately as assets or liabilities.

2) Where control over the financial asset is retained, the financial asset continues to be recognised to the extent that it continues to be involved in the transferred financial asset and the related liability is recognised accordingly. The extent to which the Company continues to be involved in the transferred financial asset is the extent to which the Company is exposed to risks or rewards from changes in the value of the transferred financial asset.

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX)Financial instruments (cont'd)

4. The basis for recognition and measurement of financial asset transfers (cont'd)

(4) Where the overall transfer of a financial asset satisfies the derecognition condition, the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the transferred financial asset at the date of derecognition.

2) The sum of the consideration received for the transfer of a financial asset and the amount of the corresponding derecognised portion of the cumulative change in fair value that would have been credited directly to other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with the change in other comprehensive income).

(5) Where a financial asset is partially transferred and the transferred portion as a whole satisfies the derecognition condition, the carrying amount of the financial asset as a whole before the transfer is apportioned between the derecognition portion and the continuing recognition portion (in which case, the retained service asset shall be regarded as a part of the continuing recognition of the financial asset) based on the relative fair value on the transfer date, and the difference between the following two amounts is included in the current profit or loss:

1) The carrying amount of the derecognised portion at the date of derecognition.

2) The sum of the consideration received for the derecognition component and the amount of the corresponding derecognition component of the cumulative change in fair value originally included in other comprehensive income (the financial asset involved in the transfer is a financial asset measured at fair value with its change included in other comprehensive income).

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX)Financial instruments (cont'd)

5. *Determination of fair value of financial assets and financial liabilities (cont'd)*

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

6. *Impairment of financial instruments*

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

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

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

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

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

(1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in stage 1, the loss allowance is measured at an amount equal to the expected credit loss of the financial instrument over the next 12 months and interest income is calculated based on the carrying amount and the effective interest rate.

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

6. *Impairment of financial instruments (cont'd)*

(2) If the credit risk of the financial instrument has increased significantly since initial recognition but no credit impairment has occurred, it is in stage 2, the loss allowance is measured at an amount equal to the expected credit loss over the lifetime of the financial instrument, and interest income is calculated based on the carrying amount and the effective interest rate.

(3) If the financial instrument has been credit-impaired since initial recognition, it is in Stage 3, the Company measures its loss allowance at an amount equal to the expected credit losses over the lifetime of the financial instrument and calculates interest income at amortized cost and effective interest rates.

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

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

(1) Significant increase in credit risk

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

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

1) Whether there has been an actual or expected significant change in the operating results of the debtor;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor is located;

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

6. Impairment of financial instruments (cont'd)

(1) Significant increase in credit risk (cont'd)

3) Whether there has been a significant change in the value of the collateral used as security for the debt or in the quality of the guarantees or credit enhancements provided by third parties that is expected to reduce the debtor's economic incentive to pay within the contractual time limit or affect the probability of default;

4) Whether there has been a significant change in the expected performance and repayment behavior of the debtor;

5) Changes in the Company's credit management methods for financial instruments, etc.

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

(2) Financial assets with credit impairment

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

1) Significant financial difficulties of the issuer or the debtor;

2) Breach of contract by the debtor, such as default or overdue payment of interest or principal, etc.;

3) A concession given by a creditor to the debtor that the debtor would not otherwise make for economic or contractual reasons relating to the debtor's financial difficulties;

4) The debtor is likely to go bankrupt or undergo other financial restructuring;

5) The financial difficulty of the issuer or the debtor results in the disappearance of an active market for the financial asset;

6) A financial asset is purchased or originated at a significant discount that reflects the fact that a credit loss has occurred.

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX)Financial instruments (cont'd)

6. Impairment of financial instruments (cont'd)

(3) Determination of ECL

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

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

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

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows that the Company is expected to receive and the cash flows that it expects to receive.

2) For financial guarantee contracts, credit losses are the present value of the difference between the expected payments to be made by the Company to the contract holder for credit losses incurred by the contract holder, less the amount that the Company expects to receive from the contract holder, the debtor or any other party.

3) For a financial asset that is credit-impaired at the balance sheet date but not purchased or originated from credit-impaired, credit loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the original effective interest rate.

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

(4) Write-down of financial assets

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

IV Significant accounting policies, accounting estimates (cont'd)

(IX) Financial instruments (cont'd)

7. *Offset of financial assets and financial liabilities*

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

(1) The Company has a legal right to set off the recognised amounts and such legal right is currently enforceable;

(2) The Company plans to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(X) Bills receivable

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XI) Account receivables

See Note IV/(IX) 6, Impairment of financial instruments for details of the Company's method of determining and accounting for ECL on trade receivables.

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

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

(XII) Accounts receivable financing

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

IV Significant accounting policies, accounting estimates (cont'd)

(XIII) Other receivables

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XIV) Inventory

1. *Classification of inventories*

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

2. *Valuation method of inventories*

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

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XIV) Inventory (cont'd)

4. *Inventory count system*

   The Group maintains a perpetual inventory system.

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

   (1) Low-value consumables are written off once.

   (2) The packaging materials are sold by one-off rotation method.

   (3) Other revolving materials are amortised using the one-off write-off method.

(XV) Long – term equity investment

1. *Determination of initial investment cost*

   (1) For the long-term equity investment formed by a business combination, see Note IV. (IV) Accounting Methods for Business Combinations under Same Control and under Non-same Control for specific accounting policies.

   (2) Long-term equity investments acquired by other means

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

2. Subsequent measurement and profit or loss recognition

(1) Cost method

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

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

(2) Equity method

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

2. *Subsequent measurement and profit or loss recognition (cont'd)*

(2) Equity method (cont'd)

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

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

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

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

(1) Fair value measurement transferred to equity method

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

3. Conversion of accounting method for long-term equity investment (cont'd)

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

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

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

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

(3) From equity method to fair value measurement

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

3. Conversion of accounting method for long-term equity investment (cont'd)

(4) Transfer of cost method to equity method

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

(5) Transfer of cost method to fair value measurement

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

4. Disposal of long-term equity investments

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

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

(1) These transactions were entered into simultaneously or with mutual influence in mind;

(2) These transactions as a whole can achieve a complete commercial outcome;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) A transaction is uneconomical on its own, but economic when considered in conjunction with other transactions.

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

4. *Disposal of long-term equity investments (cont'd)*

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

(1) In the individual financial statements, the difference between the carrying amount of the equity disposed of and the actual purchase price is included in the current profit or loss. If the remaining equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted for using the equity method instead, and the remaining equity shall be deemed to have been acquired and adjusted using the equity method; Where the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of Accounting Standard for Enterprises No.22–Recognition and Measurement of Financial Instruments, and the difference between its fair value and carrying value on the date of loss of control shall be included in the profit or loss of the current period.

(2) In the consolidated financial statements, for each transaction before the loss of control over the subsidiary, the capital reserve (equity premium) is adjusted for the difference between the disposal price and the corresponding share of the net assets of the entitled subsidiary calculated continuously from the date of purchase or the date of consolidation for the disposal of the long-term equity investment, or the retained earnings if the capital reserve is insufficient to offset; When control of a subsidiary is lost, the remaining equity is remeasured to its fair value at the date of loss of control. The difference between the sum of the consideration obtained on disposal of the equity interest and the fair value of the remaining equity interest, less the share of the net assets of the original subsidiary calculated on a pro rata basis from the date of purchase, is included in the investment income in the period in which control is lost and goodwill is written off. Other comprehensive income relating to the equity investment of the original subsidiary is converted into current investment income when control is lost.

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XV) Long – term equity investment (cont'd)

4. Disposal of long-term equity investments (cont'd)

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

5. Criteria for common control and significant impact

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

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

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

(XVI) Fixed assets

1. Recognition of fixed assets

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

(1) it is probable that the economic benefits associated with the fixed asset will flow to the enterprise;

(2) The cost of the fixed asset can be measured reliably.

IV Significant accounting policies, accounting estimates (cont'd)

(XVI) Fixed assets (cont'd)

2. *Initial measurement of fixed assets*

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

(1) The cost of externally purchased fixed assets includes purchase price, import duties and other related taxes and fees, as well as other expenses incurred to bring the fixed assets into their intended use that can be directly attributed to the assets.

(2) The cost of self-constructed fixed assets consists of the expenditure necessary to construct the asset before it is ready for use.

(3) Fixed assets invested by investors are accounted for at the value agreed in the investment contract or agreement, but those with unfair value agreed in the contract or agreement are accounted for at fair value.

(4) Where the purchase price of a fixed asset is deferred beyond normal credit conditions and is of a financing nature in substance, the cost of the fixed asset is determined based on the present value of the purchase price. The difference between the actual price paid and the present value of the purchase price, unless capitalised, is credited to profit or loss in the credit period.

3. *Subsequent measurement and disposal of fixed assets*

(1) Depreciation of fixed assets

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

Fixed assets that are expensed from the special reserve are written off against the special reserve at the cost of forming the fixed assets and accumulated depreciation of the same amount is recognised, and no depreciation is provided for the fixed assets in future periods.

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

(Expressed in Renminbi Yuan unless otherwise indicated)

IV Significant accounting policies, accounting estimates (cont'd)

(XVI) Fixed assets (cont'd)

3. Subsequent measurement and disposal of fixed assets (cont'd)

(1) Depreciation of fixed assets (cont'd)

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

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

(2) Subsequent expenditure on fixed assets

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

(3) Disposal of fixed assets

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

(XVII) Construction in progress

1. Initial measurement of construction in progress

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XVIII) Borrowing costs

1. *Principles for recognition of capitalisation of borrowing costs*

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

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

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

   (1) Expenditure on assets has been incurred,Expenditure on assets includes expenditure incurred in the form of payment of cash, transfer of non-cash assets or assumption of interest-bearing liabilities for the purchase, construction or production of assets that meet the conditions for capitalization;

   (2) borrowing costs have been incurred;

   (3) the purchase, construction or production activities necessary to bring the asset to its intended use or sale have commenced.

2. *Period in which borrowing costs are capitalised*

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

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

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

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

3. *Suspension period*

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

IV Significant accounting policies, accounting estimates (cont'd)

(XVIII) Borrowing costs (cont'd)

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

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

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

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

(XIX) Intangible assets and development expenditures

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

1. *Initial measurement of intangible assets*

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XIX) Intangible assets and development expenditures (cont'd)

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

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

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

project	**Estimated useful life**	**basis**
land use right	35-50 years	Duration of benefit

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

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

   (2) Intangible assets with indefinite useful lives
   Intangible assets that cannot be expected to bring economic benefits to the enterprise for a period of time are regarded as intangible assets with indefinite useful lives. Such intangible assets are not amortised. As at the balance sheet date, the Company does not have intangible assets with indefinite useful lives.

3. *Specific criteria for dividing the research phase and development phase of research and development projects within the Company*
   Research stage: The stage of original and planned investigation and research activities to acquire and understand new scientific or technological knowledge.

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XIX) Intangible assets and development expenditures (cont'd)

4. *Specific criteria for capitalising development phase expenditures*

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

(1) it is technically feasible to complete the intangible asset so that it can be used or sold;

(2) has the intention to complete the intangible asset and use or sell it;

(3) the way in which the intangible asset generates economic benefits, including the ability to prove the existence of a market for the products produced using the intangible asset or the existence of a market for the intangible asset itself, and the usefulness of the intangible asset if it is to be used internally;

(4) having sufficient technical, financial and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset;

(5) Expenditure attributable to the development phase of the intangible asset can be measured reliably.

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

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

(XX) Impairment of long-term assets

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XX) Impairment of long-term assets (cont'd)

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

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

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

(XXI) Contract liabilities

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

(XXII) Employee benefits

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

1. *Short-term employee benefits*

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXII) Employee benefits (cont'd)

2. *Post-employment benefits*

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

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

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

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

3. *Termination benefits*

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXII) Employee benefits (cont'd)

4. *Other long-term employee benefits*

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

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

(XXIII) Provisions

1. *Criteria for recognition of provisions*

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

The obligation is a present obligation of the Company;

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

The amount of the obligation can be measured reliably.

2. *Measurement of provisions*

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

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

The best estimates are dealt with as follows:

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXIV) Revenue

1. *General principles for revenue recognition*

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

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

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

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

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

2. *Specific method of revenue recognition*

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXV) Contract cost

1. *Contract performance cost*

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

   (1) the cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing costs (or similar), costs that are clearly attributable to the customer, and other costs that are incurred solely as a result of the contract;

   (2) The cost increases the resources that the enterprise will use to fulfill its performance obligations in the future;

   (3) The cost is expected to be recovered.

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

2. *Contract acquisition cost*

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

3. *Amortisation of contract costs*

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXV) Contract cost (cont'd)

4. *Impairment of contract costs*

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

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

(XXVI) Government grants

1. *Type*

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

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

2. *Recognition of government grants*

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

For government grants for which the government documents do not specify the recipients, the Company classifies them as either asset-related government grants or revenue-related government grants based on the actual recipients,See Note VI to these financial statements, Note to deferred revenue/Non-operating Income Items, for a description of the relevant basis of judgment.

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXVI) Government grants (cont'd)

3. *Accounting treatment*

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

project	**Accounting content**
Categories of government grants accounted for using the net method	Asset-related
Categories of government grants accounted for using the gross method	Related to revenue

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

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXVII) Deferred income tax assets and deferred income tax liabilities

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

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

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

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

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

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

   (1) temporary differences arising from the initial recognition of goodwill;

   (2) a temporary difference arising from a transaction or event that is not a business combination and that affects neither accounting profit nor taxable income (or deductible losses) when the transaction or event occurs;

   (3) For taxable temporary differences associated with investments in subsidiaries and associates, the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

3. *Deferred income tax assets and deferred income tax liabilities are presented net of offset when the following conditions are met:*

   (1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis;

   (2) Deferred income tax assets and deferred income tax liabilities are related to income taxes levied by the same tax administration department on the same taxable entity or different taxable entities, however, in the future period when each significant deferred income tax asset and deferred income tax liability are transferred back, the taxable entities involved intend to settle the current income tax assets and current income tax liabilities on a net basis or acquire assets and settle debts simultaneously.

IV Significant accounting policies, accounting estimates (cont'd)

(XXVIII) Lease

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

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

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

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

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

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

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

1. *The Group as lessee*

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXVIII) Lease (cont'd)

1. *The Group as lessee (cont'd)*

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

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

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

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

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

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

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

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

IV Significant accounting policies, accounting estimates (cont'd)

(XXVIII) Lease (cont'd)

2. *The Group as lessor*

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

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

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

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

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

(XXIX) Repurchase of shares of the Company

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

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

(XXX) Changes in significant accounting policies and accounting estimates

1. *Changes in accounting policies*

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

2. *Changes in accounting estimates*

There has been no change in the key accounting estimates for the Reporting Period.

(Expressed in Renminbi Yuan unless otherwise indicated)

V Tax

(I) Major taxes and tax rates of the Company

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

Note: According to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Relevant Policies for Deepening the Reform of Value-added Tax (Caishui [2019] No.39), since April 1, 2019, taxpayers have engaged in VAT taxable business, and the VAT rates have been adjusted from 16% and 10% to 13% and 9%, respectively.

According to the “Notice of Shaanxi Provincial State Administration of Taxation and Shaanxi Provincial Department of Finance on Trial Implementation of Measures for Verification and Deduction of Input Value-added Tax on Agricultural Products in Concentrated Juice Industry”, “Notice of Shanxi Provincial Department of Finance and Shanxi Provincial State Administration of Taxation on Incorporation of Verification and Deduction of Input Value-added Tax on Fruit and Vegetable Juice and Fruit and Vegetable Beverages and Other Industries” and the “Notice of Dalian Municipal State Administration of Taxation and Dalian Municipal Finance Bureau on Relevant Issues Concerning Enlargement of Verification and Deduction of Input Value-added Tax on Agricultural Products”, Whitewater Andre Fruit and Vegetable Juice Co., Ltd, and Liquan Yitong Juice Co., Ltd., subsidiaries of the Company, have been subject to the approved deduction of input tax of agricultural product value-added tax since January 2014, Yongji Andre Fruit and Vegetable Juice Co., Ltd, since December 2014 and Dalian Andre Fruit and Vegetable Juice Co., Ltd, since April 2018. When agricultural products are purchased, the recorded value of raw materials is recognised based on the amount including tax, when finished products are sold, the approved deduction of input tax is deducted from current operating costs. As a result, the Company’s VAT to be credited at the end of the year excludes the input tax on purchased agricultural products that have not yet been sold under the approved deduction method of VAT on agricultural products.

V Tax (cont'd)

(II) Preferential Tax Policies and Basis

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

1. According to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Issues of Preferential Tax Policies for the Western Development (Cai Shui [2001] No.202), the Notice of the State Administration of Taxation on the Implementation of the Opinions on the Specific Implementation of Tax Policies for the Western Development (Guo Shui Fa [2002] No.47), the Notice of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies (Guo Fa [2007] No.39), The Enterprise Income Tax Law of the People's Republic of China (hereinafter referred to as the "Enterprise Income Tax Law") and its implementing regulations, as well as the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Tax Policies for Further Implementation of the Western Development Strategy (Caishui [2011] No.58) stipulate that Baishui Andre Fruit and Vegetable Juice Co., Ltd, shall be subject to enterprise income tax at a reduced rate of 15% from 2011 to 2020; Anyue Andre Lemon Industry Technology Co., Ltd, is subject to corporate income tax at a reduced rate of 15% for the period from 2017 to 2020.

2. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the Scope of Primary Processing of Agricultural Products Subject to the Preferential Enterprise Income Tax Policy (for Trial Implementation) (Cai Shui [2008] No.149), Yantai North Andre Juice Co., Ltd., Baishui Andre Juice Co., Ltd., Xuzhou Andre Juice Co., Ltd., Yantai Longkou Andre Juice Co., Ltd., Dalian Andre Juice Co., Ltd., Yongji Andre Juice Co., Ltd., Liquan Yitong Juice Co., Ltd., Anyue Andre Lemon Industry Technology Co., Ltd, are entitled to the preferential policy of exemption from income tax for the raw juice and fruit dregs produced and sold.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements

(The following monetary units are all RMB unless otherwise specified)

1. Cash at bank and on hand

Items	closing balance	Opening balance
Cash on hand	**13,261.27**	78,549.35
Deposits with banks	**187,854,883.02**	273,971,753.66
Interest receivable due	**110,486.59**	–
Total	**187,978,630.88**	274,050,303.01
Of which: total amount deposited abroad	**2,480,742.74**	2,352,601.51

As at 31 December 2020, the Company had not pledged, frozen or potentially recoverable amounts.

2. Financial assets held for trading

Items	closing balance	Opening balance
Subtotal of financial assets classified as at fair value through profit or loss	**287,617,293.20**	–
Funds	**101,004,504.95**	–
Asset management plan	**52,743,086.85**	–
Investment in equity instruments	**121,684,201.40**	–
Derivative financial assets	**12,185,500.00**	–
Total	**287,617,293.20**	–

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

3. Bills receivable

1. *Bills receivable are presented by category*

Items	closing balance	Opening balance
Bank's Acceptance Bill	**5,572,474.00**	2,944,117.50
Trade acceptance	**–**	–
Total	**5,572,474.00**	2,944,117.50

2. *Bills receivable endorsed or discounted by the Company at the end of the period and not yet due at the balance sheet date*

Items	Ending derecognition amount	Unrecognised amount at end of period
Bank's Acceptance Bill	**–**	300,000.00
Trade acceptance	**–**	–
Total	**–**	300,000.00

4. Accounts receivable

1. *Disclosure of trade receivables by age*

Aging	closing balance	Opening balance
Within 6 months (inclusive)	**174,584,657.62**	223,227,440.94
6 months to 1 year (inclusive)	**20,549,414.64**	1,531,278.48
1 to 2 years (inclusive)	**–**	8,574.49
2 to 3 years (inclusive)	**2,612.50**	–
subtotal	**195,136,684.76**	224,767,293.91
Less: loss allowance	**18,563,774.08**	8,455,124.45
Total	**176,572,910.68**	216,312,169.46

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

4. Accounts receivable (cont'd)

2. Classified disclosure by bad debt provision accrual method

Type	closing balance				
	book balance		bad-debt provision		
	Amount	**Percentage (%)**	**Amount**	**Accrual percentage (%)**	**book value**
Accounts receivable for which ECLs are accrued individually	–	–	–	–	–
Trade receivables with expected credit losses by portfolio	**195,136,684.76**	**100.00**	**18,563,774.08**	**9.51**	**176,572,910.68**
Where: Portfolio 1: Portfolio of amounts due from customers	**195,136,684.76**	**100.00**	**18,563,774.08**	**9.51**	**176,572,910.68**
Total	**195,136,684.76**	**100.00**	**18,563,774.08**	**9.51**	**176,572,910.68**

Continued:

Type	Opening balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Accounts receivable for which ECLs are accrued individually	–	–	–	–	–
Trade receivables with expected credit losses by portfolio	224,767,293.91	100.00	8,455,124.45	3.76	216,312,169.46
Where: Portfolio 1: Portfolio of amounts due from customers	224,767,293.91	100.00	8,455,124.45	3.76	216,312,169.46
Total	224,767,293.91	100.00	8,455,124.45	3.76	216,312,169.46

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

4. Accounts receivable (cont'd)

3. Trade receivables with expected credit losses by portfolio

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

Aging	closing balance		
	book balance	**bad-debt provision**	**Accrual percentage (%)**
Not past due	**187,175,286.54**	**14,974,022.92**	**8.00**
Within 30 days overdue	**4,424,783.82**	**884,956.76**	**20.00**
Overdue for 31 to 60 days	**2,079,550.00**	**1,247,730.00**	**60.00**
Overdue for more than 61 days	**1,457,064.40**	**1,457,064.40**	**100.00**
Total	**195,136,684.76**	**18,563,774.08**	**9.51**

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

Type	Opening balance	Changes in current period				**closing balance**
		Provision	Recovery or reversal	cancel after verification	Other changes	
Accounts receivable for which ECLs are accrued individually	–	–	–	–	–	–
Trade receivables with expected credit losses by portfolio	8,455,124.45	10,108,649.63	–	–	–	**18,563,774.08**
Where: Portfolio 1: Portfolio of amounts due from customers	8,455,124.45	10,108,649.63	–	–	–	**18,563,774.08**
Total	8,455,124.45	10,108,649.63	–	–	–	**18,563,774.08**

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

4. Accounts receivable (cont'd)

5. There are no accounts receivable actually written off in the current period.

6. Top 5 Accounts Receivable for Period-end Balance Collected by Arrears

Name of organization	**Closing balance**	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the Top Five Accounts Receivable in the Closing Balance	**116,919,214.53**	59.92	9,353,537.16

5. Prepayment

1. Prepayments are presented by age

Aging	**closing balance**		Opening balance	
	Amount	**Percentage (%)**	Amount	Percentage (%)
Within 1 year	**2,435,171.66**	**100.00**	4,676,889.68	100.00
Total	**2,435,171.66**	**100.00**	4,676,889.68	100.00

2. Top five prepayments of ending balance by prepayment object

Name of organization	**closing balance**	Percentage of total prepayments (%)
Summary of the Top Five Prepaid Payments in the Closing Balance	**1,838,177.06**	75.48

6. Other receivables

Items	**closing balance**	Opening balance
Others	**1,293,631.96**	86,037,196.73
Total	**1,293,631.96**	86,037,196.73

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

6. Other receivables (cont'd)

(I) Other receivables

1. Disclosure by age

Aging	closing balance	Opening balance
Within 1 year	**1,180,777.45**	86,017,379.06
1-2 years	**190,992.64**	–
2-3 years	**–**	–
3-4 years	**–**	–
4-5 years	**–**	–
More than 5 years	**19,817.67**	19,817.67
subtotal	**1,391,587.76**	86,037,196.73
Less: loss allowance	**97,955.80**	–
Total	**1,293,631.96**	86,037,196.73

2. Breakdown by nature of amounts

Nature of money	closing balance	Opening balance
The government grants	**–**	84,154,999.00
Deposits, petty cash, deposits	**411,037.04**	475,260.20
VAT refund	**479,788.19**	974,558.20
other	**500,762.53**	432,379.33
Total	**1,391,587.76**	86,037,196.73

3. Disclosed in three stages of impairment of financial assets

Items	**Closing balance**			Opening balance		
	book balance	**bad-debt provision**	**book value**	book balance	bad-debt provision	book value
Stage I	**1,391,587.76**	**97,955.80**	**1,293,631.96**	86,037,196.73	–	86,037,196.73
Stage II	**-**	**-**	**-**	-	-	-
Stage III	**-**	**-**	**-**	-	-	-
Total	**1,391,587.76**	**97,955.80**	**1,293,631.96**	86,037,196.73	–	86,037,196.73

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

6. Other receivables (cont'd)

(I) Other receivables (cont'd)

4. Classified disclosure by bad debt provision accrual method

Type	Closing balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Other receivables for which expected credit losses are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	1,391,587.76	100.00	97,955.80	7.04	1,293,631.96
Where: Portfolio 1: VAT refund	479,788.19	34.48	23,989.41	5.00	455,798.78
Portfolio with low credit risk, such as margin and reserve fund portfolio	911,799.57	65.52	73,966.39	8.11	837,833.18
Total	1,391,587.76	100.00	97,955.80	7.04	1,293,631.96

Continued:

Type	Opening balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Other receivables for which expected credit losses are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	86,037,196.73	100.00	–	–	86,037,196.73
Among them: VAT refund	974,558.20	1.13	–	–	974,558.20
Portfolio with low credit risk, such as margin and reserve fund portfolio	85,062,638.53	98.87	–	–	85,062,638.53
Total	86,037,196.73	100.00	–	–	86,037,196.73

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

6. Other receivables (cont'd)

(I) Other receivables (cont'd)

5. There are no other receivables actually written off in the current period.

6. Other receivables in the top five of the ending balances aggregated by the defaulting party

Name of organization	Nature of money	**closing balance**	Aging	Percentage of other receivables ending balance (%)	bad-debt provision closing balance
VAT refund	VAT refund	**479,788.19**	Within 1 year	34.48	23,989.41
Tianjin Wahaha Hongzhen Food and Beverage Trading Co., Ltd.	margin	**100,000.00**	Within 1 year	7.19	5,000.00
Jinmailang Beverage Co., Ltd. Longyao Branch	margin	**100,000.00**	Within 1 year	7.19	5,000.00
Liquan workers' injury insurance handling center	other	**44,638.79**	Within 1 year	3.21	2,231.94
Baishui's Receivables on Employees' Personal Insurance Benefits	other	**42,690.75**	Within 1 year	3.07	2,134.54
Total		**767,117.73**		55.14	38,355.89

7. Inventory

1. Inventory classification

Items	**closing balance**			Opening balance		
	book balance	**Depreciation reserve**	**book value**	book balance	Depreciation reserve	book value
Raw materials and packaging	**32,674,386.77**	**–**	**32,674,386.77**	33,988,932.00	–	33,988,932.00
Finished goods	**633,889,809.45**	**2,087,009.70**	**631,802,799.75**	614,873,139.94	1,841,317.68	613,031,822.26
Total	**666,564,196.22**	**2,087,009.70**	**664,477,186.52**	648,862,071.94	1,841,317.68	647,020,754.26

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

7. Inventory (cont'd)

2. Provision for depreciation of inventories

Items	Opening balance	Increase in current period		Decrease in current period			closing balance
		Provision	**other**	switch back	resell	other	
Raw materials and packaging							
Finished goods	1,841,317.68	**1,117,303.23**	**-**	–	871,611.21	–	2,087,009.70
Total	1,841,317.68	**1,117,303.23**	**-**	–	871,611.21	–	2,087,009.70

8. Other current assets

1. Other current assets are presented separately

Items	closing balance	Opening balance
VAT deductible	**24,154,549.21**	20,339,680.84
Short-term other debt investments	**100,511,780.82**	–
Prepaid income tax	**–**	3,250.71
Total	**124,666,330.03**	20,342,931.55

9. Fixed assets

Items	closing balance	Opening balance
Fixed assets	**667,605,005.22**	687,534,841.45
Liquidation of fixed assets	**–**	–
Total	**667,605,005.22**	687,534,841.45

Note: The fixed assets in the above table refer to the fixed assets after deducting the liquidation of the fixed assets.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

9. Fixed assets (cont'd)

(1) Fixed assets

1. Fixed assets

Items	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Total
I. Original book value					
1. Opening balance	526,980,069.86	866,032,564.67	24,104,076.10	11,430,867.00	1,428,547,577.63
2. Increase in current period	12,967,056.81	12,710,562.06	1,217,583.23	347,926.29	27,243,128.39
Purchases	3,199,820.25	6,183,671.26	1,217,583.23	347,926.29	10,949,001.03
Transfers from of construction in progress	10,636,532.11	6,526,890.80	–	–	17,163,422.91
Translation differences in foreign currency statements	-869,295.55	–	–	–	-869,295.55
3. Decrease in current period	–	8,842,390.25	452,513.50	512,961.36	9,807,865.11
Disposal or retirement	–	6,512,390.25	452,513.50	512,961.36	7,477,865.11
Offset government grants against the book value	–	2,330,000.00	–	–	2,330,000.00
4. Closing balance	539,947,126.67	869,900,736.48	24,869,145.83	11,265,831.93	1,445,982,840.91
II. Accumulated depreciation					
1. Opening balance	149,237,400.66	533,139,098.73	18,905,958.03	7,311,192.30	708,593,649.72
2. Increase in current period	10,541,370.69	27,662,993.40	651,464.12	646,626.98	39,502,455.19
Charge for the year	10,592,163.14	27,662,993.40	651,464.12	646,626.98	39,553,247.64
Translation differences in foreign currency statements	-50,792.45	–	–	–	-50,792.45
3. Decrease in current period	–	4,126,463.30	407,262.16	315,980.17	4,849,705.63
Disposal or retirement	–	4,126,463.30	407,262.16	315,980.17	4,849,705.63
4. Closing balance	159,778,771.35	556,675,628.83	19,150,159.99	7,641,839.11	743,246,399.28
III. Impairment allowance					
1. Opening balance	16,731,275.75	15,687,810.71	–	–	32,419,086.46
2. Increase in current period	694,389.60	3,011,978.83	104,115.11	–	3,810,483.54
Charge for the year	694,389.60	3,011,978.83	104,115.11	–	3,810,483.54
3. Decrease in current period	–	1,098,133.59	–	–	1,098,133.59
Disposal or retirement	–	1,098,133.59	–	–	1,098,133.59
4. Closing balance	17,425,665.35	17,601,655.95	104,115.11	–	35,131,436.41
IV. Carrying amounts					
1. Closing carrying amount	362,742,689.97	295,623,451.70	5,614,870.73	3,623,992.82	667,605,005.22
2. Opening carrying amounts	361,011,393.45	317,205,655.23	5,198,118.07	4,119,674.70	687,534,841.45

VI Notes to key items in the consolidated financial statements (cont'd)

9. Fixed assets (cont'd)

(1) Fixed assets

2. Fixed assets leased out under operating leases

Items	**Closing carrying amount**
Plant and buildings	20,009,091.30
Total	20,009,091.30

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

3. Fixed assets for which certificates of title have not been completed at the end of the period

Items	**book value**	**Reasons for failure to complete the title certificate**
Plant and buildings	8,604,732.28	Under way
Total	8,604,732.28	

The fixed assets without title certificate are the factory houses of Yantai Longkou Andre Juice Co., Ltd..

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

10. Construction in progress

1. Construction in progress

Items	closing balance			Opening balance		
	book balance	Impairment allowance	book value	book balance	Impairment allowance	book value
Longkou Cold Storage Construction Project	**6,263,469.71**	**–**	**6,263,469.71**	–	–	–
Longkou New Factory Building Construction Project	**–**	**–**	**–**	1,285,314.29	–	1,285,314.29
Auxiliary Project of Liquan Production Line	**–**	**–**	**–**	792,146.27	–	792,146.27
other	**18,811.88**	**–**	**18,811.88**	364,861.51	–	364,861.51
Total	**6,282,281.59**	**–**	**6,282,281.59**	2,442,322.07	–	2,442,322.07

2. Changes in Major Construction-in-Progress Projects in the Current Period

Project name	Opening balance	Increase in current period	Current period transfer-in fixed assets	Other decrease for the current period	closing balance
Longkou Cold Storage Construction Project	–	6,263,469.71	–	–	6,263,469.71
Longkou New Factory Building Construction Project	1,285,314.29	29,110,394.39	9,015,770.20	21,379,938.48	–
Longkou Sewage Prevention Project	–	11,800,134.38	355,503.66	11,444,630.72	–
Liquan Sewage Control Project	–	3,354,949.35	3,354,949.35	–	–
Liquan Fruit Residue Greenhouse Project	–	1,284,064.47	1,284,064.47	–	–
Auxiliary Project of Liquan Production Line	792,146.27	–	792,146.27	–	–
Total	2,077,460.56	51,813,012.30	14,802,433.95	32,824,569.20	6,263,469.71

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

10. Construction in progress (cont'd)

2. Changes in Major Construction-in-Progress Projects in the Current Period (cont'd)

Continued:

Project name	Budget figure (ten thousand yuan)	Proportion of project investment to budget (%)	Progress (%)	Accumulated amount of interest capitalisation	Of which: the amount of interest capitalised in the current period	Current interest capitalisation rate (%)	sources of fund
Longkou Cold Storage Construction Project	1,000.00	62.63	63.00	–	–	–	Self-funded
Longkou New Factory Building Construction Project	2,900.00	100.00	100.00	–	–	–	Self-funded
Longkou Sewage Prevention Project	1,200.00	100.00	100.00	–	–	–	Self-funded
Liquan Sewage Control Project	330.00	100.00	100.00	–	–	–	Self-funded
Liquan Fruit Residue Greenhouse Project	130.00	100.00	100.00	–	–	–	Self-funded
Auxiliary Project of Liquan Production Line	80.00	100.00	100.00	–	–	–	Self-funded
Total	5,640.00	–	–	–	–	–	

Note: Other decrease in the current period is due to deferred revenue write-downs, see Note 6, Note 21, deferred revenue for details.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

11. Intangible assets

1. Intangible assets

Items	land use right	Total
I. Cost		
1. Opening balance	120,343,069.79	120,343,069.79
2. Increase in current period	–	–
Purchases		
3. Decrease in current period	–	–
Disposals		
4. Closing balance	120,343,069.79	120,343,069.79
II. Accumulated amortization		
1. Opening balance	27,609,676.00	27,609,676.00
2. Increase in current period	2,547,944.69	2,547,944.69
Provision for current period	2,547,944.69	2,547,944.69
3. Decrease in current period	–	–
Disposals		
4. Closing balance	30,157,620.69	30,157,620.69
III. Impairment allowance		
1. Opening balance	–	–
2. Increase in current period	–	–
3. Decrease in current period	–	–
4. Closing balance	–	–
IV. Book value		
1. Closing carrying amount	90,185,449.10	90,185,449.10
2. Opening book value	92,733,393.79	92,733,393.79

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

12. Goodwill

1. *Original carrying amount of goodwill*

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

2. *Provision for impairment of goodwill*

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

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

12. Goodwill (cont'd)

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

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

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

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

13. Deferred income tax assets and deferred income tax liabilities

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

Items	**closing balance**	Opening balance
Provision for impairment of assets	**15,036,436.40**	39,101.00
Deductible loss	**12,346,131.53**	12,012,339.24
Total	**27,382,567.93**	12,051,440.24

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

age	**closing balance**	Opening balance
2020	**–**	11,844.05
2022	**11,059,433.29**	11,059,433.29
2023	**941,061.90**	941,061.90
2025	**345,636.34**	–
Total	**12,346,131.53**	12,012,339.24

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

14. Other non-current assets

Items	closing balance			Opening balance		
	book balance	Depreciation reserve	book value	book balance	Depreciation reserve	book value
Advance payment for equipment and project purchase	**4,086,210.22**	**–**	**4,086,210.22**	–	–	–
Total	**4,086,210.22**	**–**	**4,086,210.22**	–	–	–

15. Accounts payable

Items	closing balance	Opening balance
Material and other payables	**42,295,154.49**	48,799,013.35
Amounts due for works and equipment	**20,884,578.07**	1,534,285.33
Total	**63,179,732.56**	50,333,298.68

16. Contract liabilities

1. Contract liabilities

Items	closing balance	Opening balance
Payments received in advance	**1,359,029.04**	1,068,780.55
Total	**1,359,029.04**	1,068,780.55

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

17. Employee benefits payable

1. *Details of employee benefits payable:*

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
Short-term employee benefits	15,698,188.49	60,789,911.53	55,966,842.46	**20,521,257.56**
Post-employment benefits – defined contribution plans	–	427,012.55	427,012.55	**–**
Total	15,698,188.49	61,216,924.08	56,393,855.01	**20,521,257.56**

2. *Short-term employee benefits*

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
Wages, bonuses, allowances and subsidies	5,828,051.94	57,351,659.09	51,883,117.15	**11,296,593.88**
Staff walfare	9,855,557.29	306,404.38	943,874.69	**9,218,086.98**
Social security contributions	–	1,952,044.45	1,952,044.45	**–**
Among them: Basic medical insurance	–	1,930,598.77	1,930,598.77	**–**
Work injury insurance	–	21,445.68	21,445.68	**–**
Maternity insurance	–	–	–	**–**
Housing fund	–	963,686.40	963,686.40	**–**
Labour union funds and staff education funds	14,579.26	216,117.21	224,119.77	**6,576.70**
Total	15,698,188.49	60,789,911.53	55,966,842.46	**20,521,257.56**

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

17. Employee benefits payable (cont'd)

3. Defined contribution plans

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
Basic pension	–	410,067.98	410,067.98	**–**
Unemployment insurance	–	16,944.57	16,944.57	**–**
Total	–	427,012.55	427,012.55	**–**

4. Other description of Employee benefits payable

1) As at 31 December 2020, there were no amounts in arrears in the remuneration payable by the Company to the employees.

2) The increase in the amounts of wages, bonuses, allowances and grants at the end of the period compared with the beginning of the period was due to the year-end bonuses in the current period which have not been paid yet.

18. Taxes payable

Tax items	**closing balance**	Opening balance
value-added tax	**2,243,697.09**	640,168.47
Property tax	**627,829.37**	696,917.90
Land use tax	**679,024.04**	816,673.44
other	**519,180.05**	513,683.18
Total	**4,069,730.55**	2,667,442.99

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

19. Other payables

Items	closing balance	Opening balance
Interest owed	**–**	–
Others	**13,381,726.13**	16,807,137.46
Total	**13,381,726.13**	16,807,137.46

(1) Other payables

1. Other payables by nature of amount

Nature of money	closing balance	Opening balance
Equipment and project payment, etc.	**7,616,630.27**	10,558,844.75
Quality guarantee fund	**4,161,329.46**	5,070,046.95
Deposits and margin	**108,292.80**	108,292.80
Accrued expenses	**1,469,447.59**	940,028.13
Others	**26,026.01**	129,924.83
Total	**13,381,726.13**	16,807,137.46

20. Other current liabilities

Items	Closing balance	Opening balance
Bills receivable not derecognised	**300,000.00**	–
Total	**300,000.00**	–

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

21. Long-term payables

Items	closing balance	Opening balance
Long-term payables	**1,581,524.00**	1,634,491.00
Cash in bank special fund	**–**	–
Total	**1,581,524.00**	1,634,491.00

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

(I) Long-term payables

1. Long-term payables classification

Nature of money	closing balance	Opening balance
Payable for plant ownership and land use rights	**951,684.00**	914,651.00
Special funds for counterpart aid from Jiangsu and Shaanxi	**629,840.00**	719,840.00
Less: long-term payables due within one year	**–**	–
Total	**1,581,524.00**	1,634,491.00

22. Deferred income

Items	Opening balance	Increase in current period	Decrease in current period	closing balance	Cause of formation
Government grants relating to assets	39,000,000.00	6,000,000.00	32,824,569.20	**12,175,430.80**	See Table 1 for details
Revenue-related government grants	–	–	–	**–**	
Total	39,000,000.00	–	–	**12,175,430.80**	

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

22. Deferred income (cont'd)

1. Government grants relating to assets

Liability item	Opening balance	The amount of subsidy added in the current period	Construction in progress is offset in the current period.	Write-down of fixed assets in current period	**closing balance**	Asset-relatedrevenue-related
Longkou Sewage Prevention Project	–	6,000,000.00	6,000,000.00	–	**–**	Asset-related
Longkou New Factory Building Foundation Project	39,000,000.00	–	26,824,569.20	–	**12,175,430.80**	Asset-related
Total	39,000,000.00	6,000,000.00	32,824,569.20	–	**12,175,430.80**	

Note: The Company's deferred revenue-Longkou Sewage Prevention and Control Project is the compensation received from Longkou Branch of Yantai Ecological Environment Bureau to subsidize sewage treatment equipment. The Company's deferred revenue Longkou New Plant Construction Foundation Project is the compensation for the construction of the new plant in Longkou.

23. Share capital

		Current Period Change Increase (+) Decrease (-)					
Items	Opening balance	issue a new share	Give out shares	Conversion of provident fund into shares	other	subtotal	**closing balance**
Total number of shares	358,000,000.00	20,000,000.00	–	–	–	20,000,000.00	**378,000,000.00**

Description of changes in share capital: see Note VI, Note 24 Capital reserve for changes in share capital of the Company in the current period.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

24. Capital reserve

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
Capital premium (Equity premium)	17,281,789.31	101,500,000.00	–	**118,781,789.31**
Other capital reserve	9,925.92	–	–	**9,925.92**
Total	17,291,715.23	101,500,000.00	–	**118,791,715.23**

According to the Approval on the Approval of the Initial Public Offering of Yantai North Andre Juice Co., Ltd, [2020]1914 issued by the Securities and Futures Commission, the Company issued 20,000,000.00 new shares by way of public offering, with a total raised capital of RMB152,000,000.00 and a net raised capital of RMB121,500,000.00 after deducting underwriting fees, sponsorship fees and other fees. Upon completion of the above transactions, the Company has increased its registered capital by RMB20,000,000.00, and the difference between the net actually raised capital and the newly increased registered capital of RMB101,500,000.00 is included in the capital reserve-equity premium.

25. Treasury stock

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
Reduce the repurchase of registered capital	–	77,959,708.11	–	**77,959,708.11**
Total	–	77,959,708.11	–	**77,959,708.11**

Description of treasury stock: As of December 31, 2020, the Company has actually repurchased 10,700,000.00 shares of H Shares, accounting for 9.9568% of the Company's total share capital of H Shares, accounting for 2.8307% of the Company's total share capital, and the total amount paid was RMB77,959,708.11 (inclusive of transaction costs). The implementation of the repurchase meets the requirements of the Company's share repurchase plan and relevant laws and regulations.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

26. Surplus reserve

Items	Opening balance	Increase in current period	Decrease in current period	**closing balance**
legal earned surplus reserve	128,215,584.54	8,370,468.17	–	**136,586,052.71**
Total	128,215,584.54	8,370,468.17	–	**136,586,052.71**

27. Retained earnings

Items	**Amount**	**Percentage selected or allocated (%)**
Undistributed profit at end of prior period before adjustment	1,408,965,256.99	—
Adjust the total undistributed profit at the beginning of the period (increase+, decrease-)	—	—
Adjusted opening undistributed profit	1,408,965,256.99	—
Plus: net profit attributable to owners of the parent in the current period	151,778,272.20	—
Less: draw down statutory surplus reserve	8,370,468.17	10.00
Draw down any surplus reserve		
Plus: surplus reserves cover losses	—	—
Undistributed profit at end of period	1,552,373,061.02	—

28. Operating income and operating costs

1. Operating income, operating costs

Items	**Current amount incurred**		Prior period occurrence	
	income	**cost**	income	cost
Principal businesses	**835,579,859.39**	**638,702,439.05**	831,529,866.92	571,156,382.78
Other business	**6,439,835.73**	**2,293,088.89**	6,597,470.00	2,686,290.11
Total	**842,019,695.12**	**640,995,527.94**	838,127,336.92	573,842,672.89

Statement of operating costs: the increase in the cost of main operations in the current period as compared with the previous period is due to the fact that freight, import declaration and storage charges are accounted for in this account.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

29. Taxes and surcharges

Items	**Current amount incurred**	Prior period occurrence
Urban maintenance and construction tax	**1,674,806.82**	1,100,970.86
Surcharge for Education	**1,507,963.38**	1,133,418.12
Property tax	**2,816,547.95**	3,388,997.91
Land use tax	**2,945,454.59**	3,476,241.22
other	**900,671.26**	1,103,812.82
Total	**9,845,444.00**	10,203,440.93

30. Selling and distribution expenses

Items	**Current amount incurred**	Prior period occurrence
Freight charges	**–**	29,318,003.17
Import and export declaration and storage fee	**–**	10,782,724.85
Payroll and welfare	**1,559,636.54**	1,556,311.12
Sales commission	**1,557,837.84**	2,132,727.21
other	**1,253,550.77**	991,067.74
Total	**4,371,025.15**	44,780,834.09

Description of selling and distribution expenses: The significant change in the current period as compared with the previous period was mainly due to the freight and import declaration and storage fees is listed in the cost of main business.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

31. General and administrative expenses

Items	**Current amount incurred**	Prior period occurrence
Payroll and welfare	**21,567,133.17**	24,565,391.00
Depreciation and amortisation charges	**6,506,745.79**	6,901,216.22
Repair and motor vehicle expenses	**7,630,484.37**	4,473,499.93
Shutdown expenses	**6,334,820.94**	3,951,762.81
Audit and consulting fees	**4,231,688.32**	8,416,683.00
Listing expenses	**4,652,950.93**	–
Office and travel expenses	**2,562,153.51**	2,914,523.15
other	**1,453,922.16**	3,049,727.00
Total	**54,939,899.19**	54,272,803.11

32. Research and development expenses

Items	**Current amount incurred**	Prior period occurrence
Employee compensation	**2,406,730.91**	1,034,041.42
Depreciation and amortisation	**518,704.35**	248,467.53
Experimental materials and inspection fee	**4,416,301.18**	709,401.28
Other	**565,367.10**	424,634.47
Total	**7,907,103.54**	2,416,544.70

Description of research and development expenses: The increase in research and development expenses in the current period is mainly due to the increase in research and development activities.

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

33. Financial expenses

Items	**Current amount incurred**	Prior period occurrence
Interest expense	**37,033.00**	43,123.00
Less: Interest income	**6,248,857.07**	4,529,493.63
Exchange gain or loss (gain are listed with "–")	**17,873,617.79**	-1,235,954.62
Bank charges	**328,198.91**	304,385.25
Other	**–**	-1,050,000.00
Total	**11,989,992.63**	-6,467,940.00

Description of finance expenses: finance expenses-others are 2019, the central finance discount interest fund of 1,050,000.00 yuan allocated by the finance bureau and forestry bureau of muping district of Yantai city to the company's forestry loan, which is offset against finance expenses accordingly.

34. Other income

1. *Details of other income*

Sources of other income	**Current amount incurred**	Prior period occurrence
Government subsidy	**2,875,789.81**	2,455,441.92
Refund of personal income tax handling fee	**23,270.66**	–
Total	**2,899,060.47**	2,455,441.92

2. *Government grants included in other income*

Items	**Current amount incurred**	Prior period occurrence	Asset-related Related to revenue
Industrial development fund	**1,766,400.00**	1,520,000.00	Related to revenue
Tax incentives	**–**	520,000.00	Related to revenue
Foreign trade subsidies	**360,000.00**	213,800.00	Related to revenue
Work-for-training grant	**488,900.00**	–	Related to revenue
Other	**260,489.81**	201,641.92	Related to revenue
Total	**2,875,789.81**	2,455,441.92	

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

35. Investment income

1. Details of investment income

Items	Current amount incurred	Prior period occurrence
Investment income from the disposal of financial asset hold for trading	**15,467,067.94**	8,163,368.11
Investment income from disposal of debt investments	**–**	1,899,684.00
Investment income in the period in which other debt investments are held	**511,780.82**	–
Total	**15,978,848.76**	10,063,052.11

36. Profits arising from changes in fair value

Sources of profits arising from changes in fair value	Current amount incurred	Prior period occurrence
Financial assets held for trading	**37,617,300.70**	–
Total	**37,617,300.70**	–

37. Credit loss

Items	Current amount incurred	Prior period occurrence
Bad debt losses	**-10,206,605.43**	-426,620.00
Total	**-10,206,605.43**	-426,620.00

38. Impairment loss

Items	Current amount incurred	Prior period occurrence
Loss on depreciation of inventories	**-1,117,303.23**	387,519.00
Impairment loss on fixed assets	**-3,810,483.54**	–
Total	**-4,927,786.77**	387,519.00

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

39. Gains/(losses) from asset disposals

Items	**Current amount incurred**	Prior period occurrence
Gains or losses on disposal of fixed assets	**8,880.33**	31,187.40
Total	**8,880.33**	31,187.40

40. Non-operating income

Items	**Current amount incurred**	Prior period occurrence	Included in current non-recurring profit or loss
Other	**4,099.14**	4,529.46	4,099.14
Total	**4,099.14**	4,529.46	4,099.14

41. Non-operating expenses

Items	**Current amount incurred**	Prior period occurrence	Included in current non-recurring profit or loss
Donations	**1,190,000.00**	5,000.00	1,190,000.00
Losses from scrapping of fixed assets.	**194,355.91**	2,021,951.97	194,355.91
Other	**20,000.00**	29,200.00	20,000.00
Total	**1,404,355.91**	2,056,151.97	1,404,355.91

42. Income tax expense

1. *Income tax expense statement*

Items	**Current amount incurred**	Prior period occurrence
Current income tax	**161,871.76**	269,215.38
Deferred income tax	**–**	–
Total	**161,871.76**	269,215.38

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

42. Income tax expense (cont'd)

2. Accounting profit and income tax expense adjustment process

Items	Current amount incurred
Total profit	**151,940,143.96**
Income tax expense at statutory applicable tax rates	**37,985,035.99**
The effect of applying different tax rates to subsidiaries	**13,887.25**
Effect of adjustments to prior period income taxes	**–**
Impact of non-taxable income	**-41,703,400.55**
Non-deductible costs, expenses and losses	**20,830.88**
Impact of the use of deductible losses from deferred income tax assets not recognised in prior periods	**–**
The effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current period	**3,845,518.19**
income tax expense	**161,871.76**

43. Notes to the statement of cash flows

1. Cash received relating to other operating activities

Items	Current amount incurred	Prior period occurrence
Other operating income	**6,439,835.73**	6,597,470.00
Government subsidy	**50,229,060.47**	6,284,641.92
Other current accounts	**974,496.70**	–
Total	**57,643,392.90**	12,882,111.92

2. Cash paid relating to other operating avtivities

Items	Current amount incurred	Prior period occurrence
Fees and other expenses paid, etc.	**39,607,482.89**	65,322,813.01
Total	**39,607,482.89**	65,322,813.01

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

43. Notes to the statement of cash flows (cont'd)

3. Cash received relating to other investing activities

Items	**Current amount incurred**	Prior period occurrence
Interest income	**6,248,857.07**	4,529,493.63
Total	**6,248,857.07**	4,529,493.63

4. Cash received relating to other financing activities

Items	**Current amount incurred**	Prior period occurrence
Interest subsidy	**–**	1,050,000.00
Total	**–**	1,050,000.00

5. Cash paid relating to other financing activities

Items	**Current amount incurred**	Prior period occurrence
Share repurchase	**77,959,708.11**	–
Payment of listing agency fee	**7,464,150.34**	–
Total	**85,423,858.45**	–

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

44. Supplementary information to the statement of cash flows

1. Supplementary information to the statement of cash flows

Items	Current amount	Prior period amount
1. Reconciliation of net profit to cash flows from operating activities		
Net profits	**151,778,272.20**	169,268,723.74
Plus: credit impairment loss	**10,206,605.43**	426,620.00
Provision for impairment of assets	**4,927,786.77**	-387,519.00
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	**39,553,247.64**	41,003,288.90
Amortisation of intangible assets	**2,547,944.69**	2,770,871.88
Amortisation of long-term prepaid expenses	**–**	–
Loss on disposal of fixed assets, intangible assets and other long-term assets (Revenue is filled with "-")	**-8,880.33**	-31,187.40
Loss from retirement of fixed assets (gains are filled with "-")	**194,355.91**	2,021,951.97
Loss on changes in fair value (gains are filled with "-")	**-37,617,300.70**	–
Finance expenses (revenue is filled with "-")	**-32,609.34**	-7,536,686.97
Investment losses (gains are filled with "-")	**-15,978,848.76**	-10,063,052.11
Decrease in deferred income tax assets (increase is indicated by "-")	**–**	–
Increase in deferred income tax liabilities (decrease is indicated by "-")	**–**	–
Decrease in inventories (increase is indicated by "-")	**-17,456,432.26**	-152,306,705.27
Decrease in operating receivables (increase is filled with "-")	**64,345,115.79**	-32,837,377.11
Increase in operating payables (decrease is indicated by "-")	**8,787,605.08**	-970,744.98
other	**–**	–
Net cash flows from operating activities	**211,246,862.12**	11,358,183.65
2. Significant investments and fund-raising activities that do not involve cash receipts and payments		
Debt-to-capital	**–**	–
Convertible corporate bonds due within one year	**–**	–
fixed assets acquired under finance leases	**–**	–
3. Net changes in cash and cash equivalents		
Closing balance of cash	**187,868,144.29**	274,050,303.01
Less: opening balance of cash	**274,050,303.01**	378,686,607.21
Plus: ending balance of cash equivalents	**–**	–
Less: opening balance of cash equivalents	**–**	–
Net increase in cash and cash equivalents	**-86,182,158.72**	-104,636,304.20

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

44. Supplementary information to the statement of cash flows (cont'd)

2. Composition of cash and cash equivalents

Items	**closing balance**	Opening balance
I. cash		
Of which: cash on hand	**13,261.27**	78,549.35
Bank deposits available for payment at any time	**187,854,883.02**	273,971,753.66
Other monetary funds readily available for payment	**–**	–
II. cash equivalents		
Among them: bond investments with maturities within three months	**–**	–
III. balance of cash and cash equivalents at the end of the period	**187,868,144.29**	274,050,303.01
Where: restricted cash and cash equivalents are used by the parent or subsidiaries within the group	**–**	–

45. Monetary items in foreign currencies

1. Monetary items in foreign currencies

Items	Closing foreign currency balance	Translation rate	Closing translation of RMB balance
Cash at bank and cash on hand			
Of which: USD	7,474,246.82	6.5249	48,768,713.08
Euro	0.05	8.0000	0.40
Hong Kong dollar	1,732,375.77	0.8416	1,457,967.44
Accounts receivables			
Of which: USD	21,456,580.58	6.5249	140,002,042.63
Accounts payable			
Of which: USD	883,541.05	6.5249	5,765,017.00

(Expressed in Renminbi Yuan unless otherwise indicated)

VI Notes to key items in the consolidated financial statements (cont'd)

46. Government subsidy

1. *Basic information on government subsidies*

Types of government grants	**Current amount incurred**	Amount credited to profit or loss for the current period	Remarks
Government grants included in deferred revenue	**6,000,000.00**	–	See Note VI. 21 for details
Government grants included in other income	**2,875,789.81**	2,875,789.81	See Note VI. 33 for details
Government grants to offset the carrying amount of related assets	**2,330,000.00**	–	See this note for details
Total	**11,205,789.81**	2,875,789.81	

2. *Government grants to offset the carrying amount of related assets*

Subsidy program	Type	**Current amount incurred**	Prior period occurrence	Asset items written down
Transformation of fixed assets	Asset-related	**2,000,000.00**	–	mechanical equipment
Sewage equipment	Asset-related	**330,000.00**	–	mechanical equipment
Production Line Revamping	Asset-related	**–**	3,029,200.00	mechanical equipment
Grant for research and development equipment	Asset-related	**–**	800,000.00	mechanical equipment
Total		**2,330,000.00**	3,829,200.00	

(Expressed in Renminbi Yuan unless otherwise indicated)

VII Interests in other entities

(I) Interests in subsidiaries

1. Composition of enterprise groups

Name of subsidiary	type	Place of registration and place of business	business nature	registered capital	scope of business	Actual contribution at the end of the period	Shareholding (%) direct	Shareholding (%) indirect	Method of obtaining
Baishui Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shaanxi Province, China	Production and sale of concentrated fruit juice	USD17,125,000	Produce fruit and vegetable juice concentrate, fruit and vegetable juice beverage and its by-products and packaging of iron products, and sell self-produced products.	17,125,000 dollar	74.44	25.56	Establishment
Yantai Longkou Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shandong province, China	Production and sale of concentrated fruit juice	USD20,800,000	Production of fruit and vegetable juices and sale of self-produced products	20,800,000 dollar	43.59	56.41	Establishment
Xuzhou Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Jiangsu Province, China	Production and sale of concentrated fruit juice	USD10,000,000	Production of fruit and vegetable juices, beverages and by-products, sales of self-produced products, production of fruit and vegetable juice outer packaging iron drums.	10,000,000 dollar	75.00	25.00	Establishment
Andre Juice Co., Ltd.	limited liability company	British Virgin Islands	Investment holding	USD50,000	Investment holding.	One dollar	100.00		Establishment
North Andre Juice Company Limited (USA) Inc.	limited liability company	United States of America	Concentrated fruit juice sales	USD1,900,000	Sales of concentrated juice.	US$1,900,000		100.00	Establishment

(Expressed in Renminbi Yuan unless otherwise indicated)

VII Interests in other entities (cont'd)

(I) Interests in subsidiaries (cont'd)

1. Composition of enterprise groups (cont'd)

Name of subsidiary	type	Place of registration and place of business	business nature	registered capital	scope of business	Actual contribution at the end of the period	Shareholding (%) direct	Shareholding (%) indirect	Method of obtaining
Dalian Andre Juice Co., Ltd.	limited liability company	Liaoning province, China	Production and sale of concentrated fruit juice	RMB80,000,000	Production and sales of various fruit and vegetable juice beverages, biological comprehensive utilization of apple essence, vegetables and fruit residues, acquisition of agricultural and sideline products (excluding grain), production of iron packaging, import and export of goods and technologies.	RMB80,000,000	70.00	30.00	Establishment
Yantai Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shandong province, China	Pulp production and sales	USD4,832,000	We produce and process various fruit pulps and their by-products, sell our own products, and engage in the wholesale and import and export of concentrated fruit juices and pulps.	US $4,832,000	75.00	25.00	Establishment
Yongji Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shanxi Province, China	Concentrated juice Production and sales	USD12,960,000	Production and sale of various kinds of fruit and vegetable juices and beverages, and biological comprehensive utilization of high-power natural apple essence and pomace.	US$12,960,000	75.00	25.00	Business combinations not under common control

VII Interests in other entities (cont'd)

(I) Interests in subsidiaries (cont'd)

1. Composition of enterprise groups (cont'd)

Name of subsidiary	type	Place of registration and place of business	business nature	registered capital	scope of business	Actual contribution at the end of the period	Shareholding (%)		Method of obtaining
							direct	indirect	
Anyue Andre Lemon Industry Technology Co., Ltd.	limited liability company	Sichuan Province, China	Concentrated juice Production and sales	RMB50,000,000	Manufacturing and sales of lemon juice, orange juice, lemon oil, orange oil, lemon essence, orange essence, pomace, etc.	RMB50,000,000	100.00		Business combinations not under common control
Liquan Yitong Juice Co., Ltd.	limited liability company	Shaanxi Province, China	Concentrated juice Production and sales	RMB100,000,000	Production and sale of various kinds of fruit and vegetable juices and beverages.	RMB100,000,000		100.00	Business combinations not under common control
Yantai Andre Drinking Water Co., Ltd.	Limited liability company (foreign-invested, non-solely-owned)	Shandong province, China	Beverage production and sales	USD5,000,000	Ordinary goods storage service beverage production; Food business.		50.00	35.00	Establishment

VIII Disclosure of risks associated with financial instruments

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

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

(I) Credit risk

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

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

VIII Disclosure of risks associated with financial instruments (cont'd)

(I) Credit risk (cont'd)

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

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

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

VIII Disclosure of risks associated with financial instruments (cont'd)

(I) Credit risk (cont'd)

As at 31 December 2020, the carrying amounts and expected credit impairment losses of the relevant assets are as follows:

Aging	book balance	Impairment allowance
Notes receivable	5,572,474.00	–
Accounts receivable	195,136,684.76	18,563,774.08
Other receivables	1,391,587.76	97,955.8
Total	202,100,746.52	18,661,729.88

The Company's principal customers are Coca-Cola and other large international companies. These customers have reliable and good reputation and therefore, the Company does not consider these customers to have significant credit risk. There is no significant concentration of credit risk as the Company has a wide range of customers.

(II) Liquidity risk

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

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII Disclosure of risks associated with financial instruments (cont'd)

(II) Liquidity risk (cont'd)

As at 31 December 2020, the Company's financial liabilities and off-balance-sheet guarantee items are presented as follows based on the remaining contractual terms using undiscounted contractual cash flows:

Items	closing balance						
	Immediate repayment	Within 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years	Total
Non-derivative financial liabilities							
Accounts payable	63,179,732.56	–	–	–	–	–	63,179,732.56
other payable-	13,381,726.13	–	–	–	–	–	13,381,726.13
long-term payables	–	–	–	–	470,524.00	1,111,000.00	1,581,524.00
Subtotal, non-derivative financial liabilities	76,561,458.69	–	–	–	470,524.00	1,111,000.00	78,142,982.69
Total	76,561,458.69	–	–	–	470,524.00	1,111,000.00	78,142,982.69

(III) Market risk

1. *Exchange rate risk*

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

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII Disclosure of risks associated with financial instruments (cont'd)

(III) Market risk (cont'd)

1. Exchange rate risk (cont'd)

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

The Company attaches great importance to the study of exchange rate risk management policies and strategies,In order to avoid the exchange rate risk of export receivables, the Company has entered into a number of forward foreign exchange contracts with banks. The fair value of forward foreign exchange contracts in which the financial assets held for trading were recognised was RMB12,185,500.00 as at 31 December 2020. Changes in the fair value of the financial assets held for trading have been included in the profit or loss, Relevant contents are in "Note VI.2, Financial Assets held for trading". At the same time, with the increasing share of the international market, the Company will adjust the sales policy to reduce the risks arising from the Company's uncontrollable risks such as RMB appreciation.

(2) As of December 31, 2020, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company translated into RMB are as follows:

Items	**closing balance**			
	Dollar item	**Hong Kong dollar item**	**Euro project**	**Total**
Foreign currency financial assets:				
Cash at bank and cash on hand	48,768,713.08	1,457,967.44	0.40	50,226,680.92
receivables	140,002,042.63	–	–	140,002,042.63
subtotal	188,770,755.71	1,457,967.44	0.40	190,228,723.55
Foreign currency financial liabilities:				
Accounts payable	5,765,017.00	–	–	5,765,017.00
subtotal	5,765,017.00	–	–	5,765,017.00

(3) Sensitivity analysis:

As at 31 December 2020, the Company would decrease or increase net profit by approximately RMB2,198,539.68 (approximately RMB7,578,541.00 for 2019) for various types of USD and HKD financial assets and USD and HKD financial liabilities of the Company if RMB appreciated or depreciated by 5% against USD and HKD with other factors held constant.

VIII Disclosure of risks associated with financial instruments (cont'd)

(III) Market risk (cont'd)

2. Interest rate risk

The Company's interest rate risk arises mainly from bank deposits, etc. Floating rate financial liabilities expose the Company to cash flow interest rate risk and fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed rate and floating rate contracts based on the prevailing market conditions.

The Company's finance department monitors the Company's interest rate level on an ongoing basis. The increase in interest rates will increase the cost of new interest-bearing debt and the interest expense of the Company's outstanding interest-bearing debt with floating interest rates, and will have a significant adverse impact on the Company's financial results,The management will make adjustments in a timely manner based on the latest market conditions, which may be an arrangement for interest rate swap to reduce the interest rate risk.

(1) The Company has no interest rate swap arrangement during the year.

(2) sensitivity analysis:

For the year ended 31 December 2020, if the interest rate on bank deposits calculated using floating interest rate had increased or decreased by 50 basis points with other factors held constant, the net profit of the Company would have increased or decreased by approximately RMB939,274.42 (approximately RMB1,027,394.00 for 2019).

The sensitivity analysis above assumes that a change in interest rates has occurred at the balance sheet date and has been applied to all of the Company's bank deposits obtained at floating rates.

3. Price risk

Price risk represents the risk of fluctuations in market prices other than exchange rate risk and interest rate risk arising primarily from changes in commodity prices, stock market indices, equity instrument prices and other risk variables.

Investment price risk on equity instruments is the risk that the fair value of equity securities will decrease due to changes in the level of the stock index and the value of individual securities. As at 31 December 2020, the Company was exposed to the price risk of investments in equity instruments arising from individual investments in equity instruments classified as available-for-sale investments. The investments in listed equity instruments held by the Company are listed on the stock exchange and are measured at quoted market prices at the balance sheet date.

VIII Disclosure of risks associated with financial instruments (cont'd)

(III) Market risk (cont'd)

3. Price risk (cont'd)

The following table illustrates the sensitivity of the Company's net profit or loss and other comprehensive income net after tax to every 5% change in the fair value of the equity investment based on the carrying amount at the balance sheet date, with all other variables held constant. For the purposes of this sensitivity analysis, for an investment in an available-for-sale equity instrument, the impact is considered to be the impact on changes in the fair value of the investment in an available-for-sale equity instrument, without taking into account factors such as impairment that may affect the income statement.

	The book value of equity investment	Increase (decrease) in net profit or loss	Increase (decrease) in other comprehensive income, net of tax	Total increase (decrease) of shareholders' equity
the year of 2020	121,684,201.40	6,084,210.07	–	6,084,210.07

IX Fair value

(I) Financial instruments measured at fair value

The Company presents the carrying amounts of financial asset instruments measured at fair value at three levels of fair value as at 31 December 2020. When fair value is classified into three levels as a whole, it is based on the lowest of the three levels for each significant input used in the fair value measurement. The three levels are defined as follows:

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

Level 2: inputs that are observable for the underlying asset or liability, either directly or indirectly, in addition to the level 1 inputs;

Level 2 inputs include: 1) quoted prices for similar assets or liabilities in active markets; 2) quoted prices for identical or similar assets or liabilities in an inactive market; 3) other observable inputs other than quoted prices, including interest rate and yield curves, implied volatility and credit spread that are observable during the normal quote interval; 4) input value for market verification, etc.

Level 3: is the unobservable input to the related asset or liability.

(Expressed in Renminbi Yuan unless otherwise indicated)

IX Fair value (cont'd)

(II) Final fair value measurement

1. Ongoing fair value measurement

Items	Final fair value			
	Level 1	Level 2	Level 3	Total
Subtotal of financial assets at fair value through profit or loss	287,617,293.20	–	–	287,617,293.20
Funds	101,004,504.95	–	–	101,004,504.95
Assets Management Plan	52,743,086.85	–	–	52,743,086.85
Investment in equity instruments	121,684,201.40	–	–	121,684,201.40
Derivative financial assets	12,185,500.00	–	–	12,185,500.00
Total assets	287,617,293.20	–	–	287,617,293.20

(III) Basis for determining the market price of continuing and non-continuing level 1 fair value measurement items

1, Fair value of fund products investment is based on the net assets value of the fund provided by the fund company on the last working day of each month.

2, Fair value of asset management plan is based on the net assets value of the asset management plan provided by the asset management company as the end of the period.

3, Fair value of the equity instrument investment is measured based on the closing price of the stock in A-share securities market on the last working day in each month.

4, The financial assets held for trading (derivative financial assets) as at December 31, 2020 are forward exchange transaction purchased by the Company from banks. The fair value of forward exchange transaction is calculated based on the forward exchange rates agreed in the contracts and the estimated exchange rates at the end of the period with the foreign exchange forward contracts by the banks.

X Related parties and related party transactions

(I) Ultimate holding party of the Company

The ultimate controlling parties of the Company are Wang An and Wang Meng.

(II) See Note VII (I) Interests in Subsidiaries for details of the Company's subsidiaries

(III) Other related parties

Other related party names	Relationship between other related parties and the Company
Shandong Andre Group Co., Ltd.	Enterprises that have a significant impact on the Company (i)
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Enterprises that have a significant impact on the Company (i)
Uni-President Enterprises Corp.	Enterprises that have a significant impact on the Company (i)
Guangzhou President Enterprises Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd.
Chengdu President Enterprise Food Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd.
Yantai Andre Yangma Resort Co., Ltd.	Enterprises under the same ultimate control
Yantai Andre Real Estate Development Co., Ltd.	Enterprises under the same ultimate control
Yantai Andre Property Management Co., Ltd.	Enterprises under the same ultimate control
Yantai DSM Andre Pectin Co., Ltd.	Under significant influence of the same ultimate holding company (iv)
Yantai Hengtong Heat Co., Ltd.	Enterprises under the same ultimate control
Liquan Yitong Heat Co., Ltd.	Enterprises under the same ultimate control (ii)
Yantai Yitong Heat Co., Ltd.	Enterprises under the same ultimate control
Yantai Hengda Cement Co., Ltd.	Enterprises under the same ultimate control
Yantai Hengli Contrete LLC.	An enterprise that is significantly affected by the ultimate controlling party
Yantai Xinping Jian'an Co., Ltd.	The ultimate controlling party is the enterprise controlled by close family members
Yantai Xingan Investment Centre (Limited Partnership)	Enterprises controlled by key management personnel of the Company
Donghua Fruit Industry Co., Ltd.	Enterprises under the same ultimate control
China Pingan Investment Holdings Limited	Enterprises under the same ultimate control
Yantai Andre holiday Hotel Plaza Limited	Enterprises under the same ultimate control
Yantai Andre Construction and Installation Engineering Co., Ltd.	Enterprises under the same ultimate control
Kunlong Spring Resort Ltd	Enterprises under the same ultimate control
Mitsui & Co., Ltd.	Enterprises holding more than 5% of the Company's shares (iii)
Mitsui Foods Inc.	Enterprise controlled by Mitsui & Co., Ltd (iii)
Bussan Food Materials Co., Ltd.	Enterprise controlled by Mitsui & Co., Ltd (iii)

(Expressed in Renminbi Yuan unless otherwise indicated)

X Related parties and related party transactions (cont'd)

(III) Other related parties (cont'd)

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

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

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

(iv) The name of Yantai Andre Pectin Company Limited was changed to Yantai DSM Andre Pectin Co., Ltd. on 6 January 2021.

(IV) Related party transaction

1. Transactions between subsidiaries that have a control relationship and are included in the scope of the Company's consolidated financial statements and transactions between parent and subsidiary are eliminated.

2. *Related party transactions of purchasing goods and receiving services*

Affiliated party	Related party transactions	**Current amount incurred**	Prior period occurrence
Yantai Yitong Heat Co., Ltd.	Purchase of steam, electricity	**8,072,782.88**	7,584,334.19
Yantai Andre Construction and Installation Engineering Co., Ltd.	Purchases of service	**4,776,495.46**	8,604.59
Liquan Yitong Heat Co., Ltd.	Purchase of steam, electricity	**–**	2,472,419.10
Yantai DSM Andre Pectin Co., Ltd.	Purchase of products	**232,098.74**	112,859.82
Yantai Andre holiday Hotel Plaza Limited	Purchases of service	**190,182.27**	170,682.26
Kunlong Spring Resort Ltd	Purchases of service	**138,190.00**	51,453.00
Yantai Yangma Island Andre Resort Co., Ltd.	Purchases of service	**–**	1,028.00
Total		**13,409,749.35**	10,401,380.96

(Expressed in Renminbi Yuan unless otherwise indicated)

X Related parties and related party transactions (cont'd)

(IV) Related party transaction (cont'd)

3. Related party transactions of selling goods and providing services

Affiliated party	Related party transactions	**Current amount incurred**	Prior period occurrence
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Sales of goods	**14,941,236.78**	12,721,663.84
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Rendering of service	**927,587.46**	524,261.92
Yantai DSM Andre Pectin Co., Ltd.	Sales of goods	**40,114,481.58**	35,469,247.47
Yantai DSM Andre Pectin Co., Ltd.	rendering of service	**498,840.00**	1,089,629.00
Yantai Hengtong Heat Co., Ltd.	Sales of goods	**20,500.88**	31,422.32
Yantai Yitong Heat Co., Ltd.	Sales of goods	**49,632.73**	30,163.87
Yantai Yangma Island Andre Resort Co., Ltd.	Sales of goods	**4,672.57**	4,396.74
Yantai Andre Real Estate Development Co., Ltd.	Rendering of service	**149,592.29**	87,697.72
Yantai Andre Real Estate Development Co., Ltd.	Sales of goods	**11,915.04**	19,812.15
Yantai Andre Property Management Co., Ltd.	Sales of goods	**13,842.48**	21,673.92
Yantai Andre Property Management Co., Ltd.	Rendering of service	**47.52**	–
Yantai Andre Construction and Installation Engineering Co., Ltd.	Sales of goods	**4,847.80**	8,157.69
Yantai Andre Construction and Installation Engineering Co., Ltd.	Rendering of service	**34,562.43**	15,217.09
Yantai Andre Construction and Installation Engineering Co., Ltd.	Selling assets	**15,584.79**	–
Yantai Hengda Cement Co., Ltd.	Sales of goods	**3,913.27**	7,063.83
Yantai Hengli Contrete LLC.	Sales of goods	**5,081.41**	9,536.04
Mitsui Products Co., Ltd. and its subsidiaries	Sales of goods	**49,874,322.51**	68,917,022.39
Yantai Andre holiday Hotel Plaza Limited	Sales of goods	**20,792.92**	23,957.82
Kunlong Spring Resort Ltd	Sales of goods	**38,986.75**	32,046.95
Kunlong Spring Resort Ltd	Selling assets	**–**	88,495.58
Yantai Andre Biotechnology Co., Ltd.	Rendering of service	**–**	50,270.97
Total		**106,730,441.21**	119,151,737.31

(Expressed in Renminbi Yuan unless otherwise indicated)

X Related parties and related party transactions (cont'd)

(IV) Related party transaction (cont'd)

4. Related lease conditions

(1) The Company acts as a lessor

Name of lessee	Types of leased assets	**Lease income recognised in the current period**	Lease income recognised in prior period
Yantai DSM Andre Pectin Co., Ltd.	house lease	**848,780.92**	822,363.49
Yantai Andre Real Estate Development Co., Ltd.	house lease	**108,160.00**	81,120.00
Yantai Andre Construction and Installation Engineering Co., Ltd.	house lease	**19,406.72**	59,595.24
Total		**976,347.64**	963,078.73

5. Remuneration of key management personnel

Items	**Current amount incurred**	Prior period occurrence
Remuneration of key management personnel	**3,202,689.06**	3,902,379.62

(Expressed in Renminbi Yuan unless otherwise indicated)

X Related parties and related party transactions (cont'd)

(IV) Related party transaction (cont'd)

6. Receivables and payables from related parties

(1) Amounts due from related parties of the Company

		closing balance		Opening balance	
Project name	affiliated party	**book balance**	**bad-debt provision**	book balance	bad-debt provision
Receivables					
	Yantai DSM Andre Pectin Co., Ltd.	**15,235,809.56**	**1,218,864.76**	11,811,613.72	354,348.41
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	**1,960,352.50**	**156,828.20**	999,349.29	29,980.48
	Mitsui Products Co., Ltd. and its subsidiaries	**353,072.78**	**28,245.82**	–	–
	Yantai Andre Construction and Installation Engineering Co., Ltd.	**17,610.81**	**1,408.86**	462.00	13.86
	Yantai Andre Yangma Resort Co., Ltd.	**1,122.00**	**89.76**	–	–
	Yantai tongli beverage industry co., ltd.	**116.00**	**9.28**	–	–
	Yantai Yitong Heat Co., Ltd.	**–**	**–**	1,716.00	51.48
	Kunlong Spring Resort Ltd	**–**	**–**	100,000.00	3,000.00
	Yantai Hengtong Heat Co., Ltd.	**–**	**–**	4,818.00	144.54
	Yantai Hengli Contrete LLC.	**–**	**–**	396.00	11.88
	Yantai Hengda Cement Co., Ltd.	**–**	**–**	66.00	1.98
	Yantai Andre holiday Hotel Plaza Limited	**–**	**–**	1,650.00	49.50
	Yantai Andre Property Management Co., Ltd.	**–**	**–**	1,650.00	49.50
	Yantai Andre Real Estate Development Co., Ltd.	**–**	**–**	91,569.60	2,747.09
Other receivables					
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	**60,000.00**	**3,000.0**	–	–

(Expressed in Renminbi Yuan unless otherwise indicated)

X Related parties and related party transactions (cont'd)

(IV) Related party transaction (cont'd)

6. Receivables and payables from related parties (cont'd)

(2) The Company's payables to related parties

Project name	affiliated party	**closing balance**	Opening balance
Accounts payable			
	Yantai Andre Construction and Installation Engineering Co., Ltd.	**68,369.00**	9,379.00
	Yantai Yitong Heat Co., Ltd.	**6,182.56**	–
	Yantai Andre holiday Hotel Plaza Limited	**3,169.00**	–
	Kunlong Spring Resort Ltd	**–**	38,280.00
	Yantai DSM Andre Pectin Co., Ltd.	**–**	885.75
Other payables			
	Yantai Yitong Heat Co., Ltd.	**508,174.23**	582,862.64
	Yantai Andre Construction and Installation Engineering Co., Ltd.	**72,050.00**	–

XI Commitments and contingencies

(I) Significant commitments

1. *Foreign investment contracts and related financial expenditures that have not yet been performed or fully performed*

Yantai Andre Drinking Water Co., Ltd, was established on November 13, 2020 with the joint contribution of the Company and its subsidiaries, Andre Juice Co., Ltd., Yantai Xinweishun Packing Co., Ltd. and Yantai Rongze Carton Factory. The registered capital of the Company is USD5 million, of which USD2.5 million is subscribed by the Company, accounting for 50.00% of the registered capital; Andre Juice Co., Ltd, subscribed USD1.75 million, accounting for 35.00% of the registered capital; Yantai Xinweishun Packing Co., Ltd. subscribed USD500,000, accounting for 10.00% of the registered capital; Yantai Rongze Carton Factory subscribed USD250,000, accounting for 5.00% of the registered capital. As of December 31, 2020, the contribution of each shareholder has not been made yet, so the Company and Andre Juice Co., Ltd., a subsidiary of the Company, are required to fulfill their obligations to contribute USD2.5 million and USD1.75 million respectively to Yantai Andre Drinking Water Co., Ltd.

XI Commitments and contingencies (cont'd)

(II) Significant contingencies existing at the balance sheet date

1. *Contingent liabilities arising from outstanding litigations and arbitration and related financial impact*
   Yongji Andre Juice Co., Ltd., a controlling subsidiary of the Company, was sued by others in relation to a debt dispute with an amount of RMB4,476,731.64,As of the date of approval of these financial statements, the suit is currently pending.

   Save for the above contingencies, as at 31 December 2020, the Company had no other significant contingencies that should be disclosed but not disclosed.

XII Subsequent events

(I) Significant non-adjusting events

1. *Investments subscribed before the balance sheet date and paid-in before the reporting date*
   On January 21, 2021, Yantai Andre Drinking Water Co., Ltd. received a capital contribution of USD500,000 subscribed by Anderle Juice Co., Ltd., a subsidiary of the Company.

(II) Profit distribution

Profits or dividends to be distributed	18,365,000.00

(III) Description of other events after the balance sheet date

Save for the existence of the above post-balance-sheet events, the Company has no other material post-balance-sheet events that should be disclosed that are not disclosed up to the date of approval of the financial report.

(Expressed in Renminbi Yuan unless otherwise indicated)

XIII Description of other important matters

(I) Other important transactions and events that have an impact on the decision-making of investors.

1. Remuneration of Directors and Supervisors

Name	Directors' and Supervisors' Allowances		Basic wages, allowances and benefits		Retirement benefits		Total	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Executive Director								
Wang An	50,000.00	50,000.00	-	-	-	-	50,000.00	50,000.00
Zhang Hui	50,000.00	50,000.00	473,093.29	562,186.62	5,588.70	15,746.40	528,681.99	627,933.02
Wang Yanhui	50,000.00	50,000.00	181,078.00	196,556.00	5,588.70	15,746.40	236,666.70	262,302.40
Non-executive director								
Liu Zongyi	50,000.00	50,000.00	-	-	-	-	50,000.00	50,000.00
Independent non-executive Directors								
Li Tongning	-	25,000.00	-	-	-	-	-	25,000.00
Jiang Hongqi	50,000.00	50,000.00	-	-	-	-	50,000.00	50,000.00
Li Yao	50,000.00	25,000.00	-	-	-	-	50,000.00	25,000.00
Li Wei	50,000.00	50,000.00	-	-	-	-	50,000.00	50,000.00
Supervisors								
Wang Kun	30,000.00	30,000.00	-	218,042.59	-	6,937.20	30,000.00	254,979.79
Dai Lian	30,000.00	30,000.00	141,237.34	203,928.15	-	11,922.30	171,237.34	245,850.45
Wang Zhiwu	30,000.00	30,000.00	231,362.53	248,857.91	5,101.29	15,723.90	266,463.82	294,581.81
Total	440,000.00	440,000.00	1,026,771.16	1,429,571.27	16,278.69	66,076.20	1,483,049.85	1,935,647.47

Note: On June 26, 2019, Li Tongning resigned as an independent non-executive director of the company, and Li Yao was appointed as an independent non-executive director of the company

2. Highest-paid individuals of the Group

The top five officers paid by the Company in 2020 were executive directors or supervisors whose emoluments are disclosed in Note XIII.(I).1.

3. Capital commitment

Items	**Current Period**	Prior Period
Contracts for the purchase of fixed assets that have been signed and are being or are about to be performed	**4,516,992.82**	9,218,398.00

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company

1. Accounts receivable

1. Disclosure of trade receivables by age

Aging	closing balance	Opening balance
Within 6 months (inclusive)	**111,723,851.56**	142,637,294.71
6 months to 1 year (inclusive)	**17,115,533.55**	1,461,450.50
1 to 2 years (inclusive)	**–**	2,612.50
2 to 3 years (inclusive)	**2,612.50**	–
subtotal	**128,841,997.61**	144,101,357.71
Less: loss allowance	**10,757,192.00**	4,483,096.45
Total	**118,084,805.61**	139,618,261.26

2. Classified disclosure by bad debt provision accrual method

Type	closing balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual proportion (%)	book value
Accounts receivable for which ECLs are accrued Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Trade receivables with expected credit losses by portfolio	128,841,997.61	100.00	10,757,192.00	8.35	118,084,805.61
Where: Portfolio 1: Portfolio of amounts due from customers	128,841,997.61	100.00	10,757,192.00	8.35	118,084,805.61
Total	128,841,997.61	100.00	10,757,192.00	8.35	118,084,805.61

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

1. Accounts receivable (cont'd)

2. Classified disclosure by bad debt provision accrual method (cont'd)

Continued:

Type	Opening balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Accounts receivable for which ECLs are accrued individually	–	–	–	–	–
Trade receivables with expected credit losses by portfolio	144,101,357.71	100.00	4,483,096.45	3.11	139,618,261.26
Where: Portfolio 1: Portfolio of amounts due from customers	144,101,357.71	100.00	4,483,096.45	3.11	139,618,261.26
Total	144,101,357.71	100.00	4,483,096.45	3.11	139,618,261.26

3. Trade receivables with expected credit losses by portfolio

(1) Portfolio 1 Portfolio of amounts due from customers

Overdue time	**closing balance**		
	book balance	**bad-debt provision**	**Accrual percentage (%)**
Not past due	**125,093,393.15**	**10,007,471.00**	**8.00**
Within 30 days overdue	**3,748,604.46**	**749,721.00**	**20.00**
Overdue for 31-60 days	**–**	**–**	**–**
Overdue for more than 61 days	**–**	**–**	**–**
Total	**128,841,997.61**	**10,757,192.00**	**8.35**

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

1. Accounts receivable (cont'd)

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

		Changes in current period				
Type	Opening balance	Provision	Recovery or reversal	cancel after verification	Other changes	**closing balance**
Accounts receivable for which ECLs are accrued individually	–	–	–	–	–	–
Trade receivables with expected credit losses by portfolio	4,483,096.45	6,274,095.55	–	–	–	**10,757,192.00**
Where: Portfolio 1: Portfolio of amounts due from customers	4,483,096.45	6,274,095.55	–	–	–	**10,757,192.00**
Total	4,483,096.45	6,274,095.55	–	–	–	**10,757,192.00**

5. There are no accounts receivable actually written off in the current period.

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

Name of organization	**closing balance**	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the Top Five Accounts Receivable in the Closing Balance	**88,074,251.30**	68.36	7,045,940.10

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

1. Other receivables

Items	closing balance	Opening balance
Dividends receivable	**25,699,658.48**	25,699,658.48
Other receivables	**146,515,273.55**	253,081,082.70
Total	**172,214,932.03**	278,780,741.18

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

(I) Dividends receivable

1. Dividends receivable

Investee	closing balance	Opening balance
Andre Juice Co., Ltd.	**25,699,658.48**	25,699,658.48
Total	**25,699,658.48**	25,699,658.48

(II) Other receivables

1. Disclosure of other receivables by age

Aging	closing balance		
	Other receivables	**bad-debt provision**	**Accrual percentage (%)**
Within 1 year	**89,087,003.90**	**39,066.87**	**0.04**
1-2 years	**7,745,227.39**	**–**	**–**
2-3 years	**2,184,142.08**	**–**	**–**
3-4 years	**5,494,818.58**	**–**	**–**
4-5 years	**14,295,161.88**	**–**	**–**
More than 5 years	**27,747,986.59**	**–**	**–**
subtotal	**146,554,340.42**	**39,066.87**	**0.03**
Less: loss allowance	**39,066.87**	**–**	**–**
Total	**146,515,273.55**	**–**	**–**

Note: Long aging receivables are mainly amounts due from subsidiaries within the scope of consolidation.

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

2. Other receivables (cont'd)

(II) Other receivables (cont'd)

2. Breakdown by nature of amounts

Nature of money	closing balance	Opening balance
Consolidated subsidiaries	**145,773,003.07**	252,921,562.70
VAT refund	**479,788.19**	–
other	**301,549.16**	159,520.00
Total	**146,554,340.42**	253,081,082.70

3. Disclosed in three stages of impairment of financial assets

Items	closing balance			Opening balance		
	book balance	bad-debt provision	book value	book balance	bad-debt provision	book value
Stage I	**146,554,340.42**	**39,066.87**	**146,515,273.55**	253,081,082.70	–	253,081,082.70
Total	**146,554,340.42**	**39,066.87**	**146,515,273.55**	253,081,082.70	–	253,081,082.70

4. Classified disclosure by bad debt provision accrual method

Type	closing balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Other receivables for which expected credit losses are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	146,554,340.42	100.00	39,066.87	0.03	146,515,273.55
Of which: Group 1 Consolidated Related Parties	145,773,003.07	99.47	–	–	145,773,003.07
Export tax rebate portfolio	479,788.19	0.33	23,989.41	5.00	455,798.78
Low credit risk portfolios such as margin and reserve fund portfolios	301,549.16	0.20	15,077.46	5.00	286,471.70
Total	146,554,340.42	100.00	39,066.87	0.03	146,515,273.55

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

2. Other receivables (cont'd)

(II) Other receivables (cont'd)

4. Classified disclosure by bad debt provision accrual method (cont'd)

Continued:

Type	Opening balance				
	book balance		bad-debt provision		
	Amount	Percentage (%)	Amount	Accrual percentage (%)	book value
Other receivables for which expected credit losses are accrued individually	–	–	–	–	–
Other receivables for which ECLs are accrued by portfolio	253,081,082.70	100.00	–	–	253,081,082.70
Of which: Group 1 Consolidated Related Parties	252,921,562.70	99.94	–	–	252,921,562.70
Low credit risk portfolios such as margin and reserve fund portfolios	159,520.00	0.06	–	–	159,520.00
Total	253,081,082.70	100.00	–	–	253,081,082.70

5. There are no other receivables actually written off in the current period.

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

2. Other receivables (cont'd)

(II) Other receivables (cont'd)

6. Other receivables in the top five of the ending balances aggregated by the defaulting party

name of organization	Nature of money	**closing balance**	Aging	Percentage of other receivables ending balance (%)	bad-debt provision closing balance
Anyue Andre Lemon Industry Technology Co., Ltd.	Receivables from subsidiaries	**74,558,090.74**	Within 1 year: 19,435,674.32; 1-5 years: 29,839,244.56; More than 5 years: 25,283,171.86	50.87	–
Yongji Andre Juice Co., Ltd.	Receivables from subsidiaries	**59,755,727.01**	Within 1 year	40.77	–
Dalian Andre Juice Co., Ltd.	Receivables from subsidiaries	**8,454,425.38**	Within 1 year	5.77	–
Andre Juice Co., Ltd.	Receivables from subsidiaries	**3,004,759.94**	659,839.84 within 1 year, remaining 3-4 years	2.05	–
VAT refund	VAT refund	**479,788.19**	Within 1 year	0.33	23,989.41
Total		**146,252,791.26**		99.79	23,989.41

3. Long – term equity investment

Nature of money	**closing balance**			Opening balance		
	book balance	**Impairment allowance**	**book value**	book balance	Impairment allowance	book value
Investment in subsidiaries	**465,462,158.14**	**35,667,333.86**	**429,794,824.28**	465,462,158.14	35,667,333.86	429,794,824.28
Investment in associates and joint ventures	**-**	**-**	**-**	–	–	–
Total	**465,462,158.14**	**35,667,333.86**	**429,794,824.28**	465,462,158.14	35,667,333.86	429,794,824.28

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

3. Long – term equity investment (cont'd)

1. Investment in subsidiaries

Investee	Initial investment cost	Opening balance	Increase in current period	Decrease in current period	closing balance	Provision for impairment in current period	Closing balance of impairment allowance
Baishui Andre Juice Co., Ltd.	110,630,130.07	110,630,130.07	-	-	**110,630,130.07**	-	-
Yantai Longkou Andre Juice Co., Ltd.	80,622,695.55	80,622,695.55	-	-	**80,622,695.55**	-	-
Xuzhou Andre Juice Co., Ltd.	58,645,418.00	58,645,418.00	-	-	**58,645,418.00**	-	-
Andre Juice Co., Ltd.	8.00	8.00	-	-	**8.00**	-	-
Dalian Andre Juice Co., Ltd.	56,000,000.00	56,000,000.00	-	-	**56,000,000.00**	-	-
Yantai Andre Juice Co., Ltd.	30,000,000.00	30,000,000.00	-	-	**30,000,000.00**	-	-
Yongji Andre Juice Co., Ltd.	77,443,906.52	77,443,906.52	-	-	**77,443,906.52**	-	-
Anyue Andre Lemon Industry Technology Co., Ltd.	52,120,000.00	52,120,000.00	-	-	**52,120,000.00**	-	35,667,333.86
Total	465,462,158.14	465,462,158.14	-	-	**465,462,158.14**	-	35,667,333.86

4. Operating income and operating costs

1. Operating income, operating costs

Items	**Current amount incurred**		Prior period occurrence	
	income	**cost**	income	cost
Principal businesses	**559,894,466.55**	**543,130,212.43**	495,367,974.08	414,319,986.71
Other business	**10,970,006.29**	**8,802,995.23**	9,455,387.12	7,166,386.94
Total	**570,864,472.84**	**551,933,207.66**	504,823,361.20	421,486,373.65

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV Notes to Major Items in the Financial Statements of the Parent Company (cont'd)

5. Investment income

Items	**Current amount incurred**	Prior period occurrence
Long-term equity investment income accounted for by cost method	**41,542,444.71**	147,263,070.00
Investment income from disposal of Financial assets held for trading	**15,467,067.94**	9,586,764.19
Investment income in the period in which other debt investments are held	**511,780.82**	–
Total	**57,521,293.47**	156,849,834.19

XV Supplementary information

(I) List of current non-recurring profit and loss

Items	**Amount**	**explain**
Profit or loss on disposal of non-current assets	-185,475.58	
Government grants included in the profit or loss of the current period (except for government grants that are closely related to the business of the enterprise and are fixed or quantitatively enjoyed in accordance with the unified national standard)	2,875,789.81	
Profit or loss on changes in fair value arising from the holding of trading financial assets and trading financial liabilities, and investment income from the disposal of trading financial assets, trading financial liabilities, debt investments and other debt investments, other than effective hedging business in relation to the normal operations of the Company	59,820,589.06	
Other non-operating income and expenses other than those mentioned above	-1,205,900.86	
Other profit or loss items that meet the definition of non-recurring profit or loss	4,389,314.09	Social security exemption for the current period
Less: income tax impact	–	
Impact of minority interests (after tax)	–	
Total	65,694,316.52	

XV Supplementary information (cont'd)

(II) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted average return on net assets (%)	earnings per share: basic earnings per share	earnings per share: dilute earnings per share
Net profit attributable to ordinary shareholders of the Company	7.63	0.41	0.41
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.33	0.23	0.23