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烟台北方安德利果汁股份有限公司

**Yantai North Andre Juice Co., Ltd.\***

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

**(Stock code : 02218)**

## **2022 ANNUAL RESULTS ANNOUNCEMENT**

The Board of Directors (the “**Board**”) of the Yantai North Andre Juice Co., Ltd.\* (the “**Company**”) is pleased to announce the audited results of the Company and its subsidiaries for the year ended 31 December 2022. This announcement, containing the full text of the 2022 Annual Report of the Company, complies with the relevant requirements of the Hong Kong Listing Rules in relation to information to accompany preliminary announcements of annual results. Printed version of the Company’s 2022 Annual Report will be delivered to holders of the H shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Company at [www.andre.com.cn](http://www.andre.com.cn) on 4 April 2023.

\* For identification purpose only

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# Corporate Information

## Directors

### Executive Directors

Wang An  
Zhang Hui  
Wang Yan Hui

### Non-Executive Director

Liu Tsung-Yi

### Independent Non-Executive Directors

Gong Fan  
Wang Yan  
Li Yao

## Supervisors

Meng Xiang Lin  
Wang Bo  
Huang Lian Bo

## Board Secretary

Wang Yan Hui

## Company Secretary

Ng Man Yee Karen, CPA FCCA ACA

## Members of Audit and Review Committee

Gong Fan  
Wang Yan  
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*  
Beijing Dentons Law Offices, LLP

## 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  
17th Floor  
Far East Finance Centre  
16 Harcourt Road  
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](http://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

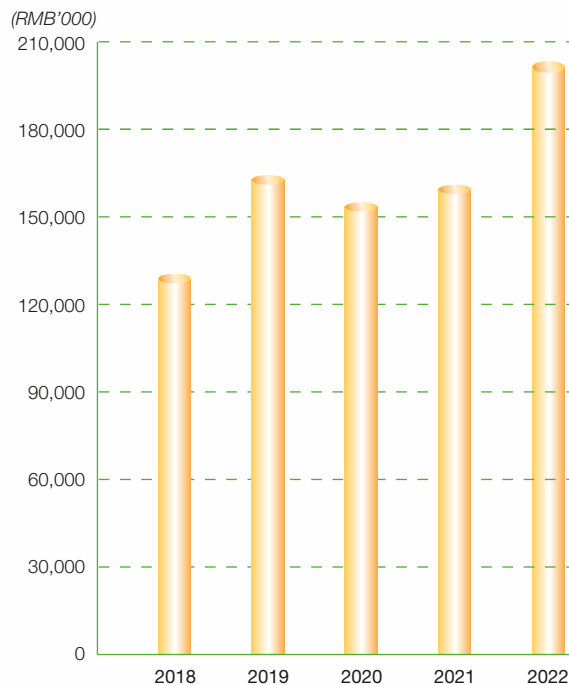
(The H shares of the Company (the "H Shares") were transferred and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (stock code: 02218) on 19 January 2011 and were de-listed from the Growth Enterprise Market of the Hong Kong Stock Exchange (stock code: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

# Financial Highlights

## Results

	For the year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Operating income	<b>1,065,429</b>	871,587	842,020	838,127	1,067,585
Operating profit	<b>197,247</b>	160,347	153,340	171,590	140,975
Profit before taxation	<b>197,222</b>	159,889	151,940	169,538	137,473
Net profit for the year	<b>194,349</b>	160,015	151,778	169,269	137,336
Attributable to:					
Equity shareholders of the Company	<b>194,349</b>	160,015	151,778	169,269	137,336
Non-controlling interests	–	–	–	–	–
Basic earnings per share	<b>RMB 0.54</b>	RMB 0.43	RMB 0.41	RMB 0.47	RMB 0.38
Basic earnings per share after deduction of extra-ordinary gain/loss	<b>RMB 0.46</b>	RMB 0.27	RMB 0.23	RMB 0.44	RMB 0.36
Weighted average earnings on net assets (%)	<b>8.20</b>	7.19	7.63	9.17	7.95
Weighted average earnings on net assets after deduction of extra-ordinary gain/loss (%)	<b>6.97</b>	4.47	4.33	8.60	7.55

## Profit Attributable to Equity Shareholders of the Company

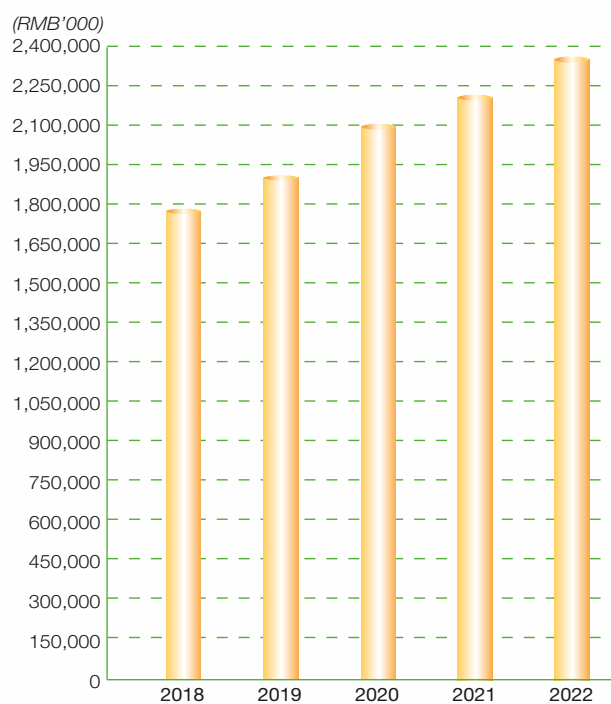


# Financial Highlights

## Assets and Liabilities

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Total assets	<b>2,609,813</b>	2,464,112	2,224,360	2,039,682	1,921,459
Total liabilities	<b>240,404</b>	238,543	116,568	127,209	142,455
Total equity attributable to equity shareholders of the Company	<b>2,369,410</b>	2,225,569	2,107,792	1,912,473	1,779,004
Non-controlling interests	-	-	-	-	-

## Total Equity Attributable to Equity Shareholders of the Company



# Chairman's Statement

I am pleased to submit to the shareholders (the "Shareholders") of Yantai North Andre Juice Co., Ltd.\* (the "Company") the annual report of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 December 2022.

## Annual Results and Review

The Group recorded operating income of RMB1,065,429,309 for the year ended 31 December 2022, representing an increase of approximately 22.24% as compared to RMB871,587,320 for the corresponding period last year. The gross profit margin was approximately 20.00% for the year ended 31 December 2022 while the gross profit margin for the corresponding period of previous year was approximately 20.61%. The profit attributable to Shareholders was RMB194,348,829 for the year under review, representing an increase of RMB34,333,844 or approximately 21.46% over the corresponding period of previous year of RMB160,014,985. Basic earnings per share was approximately RMB0.54.

During the year, as the congestion in major international ports was alleviated, the turnover of marine vessels and containers was improved, and the freight rates of ship routes gradually declined, especially the demand in North America market showed a recovery growth as compared with the previous year, resulting in a slight increase in the sales volume of the Company, a steady increase in the sales price and a significant increase in the sales revenue.

In 2022, with the substantial depreciation 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, closely monitored the exchange rate fluctuation and timely settled forward contracts, so as to reduce the exchange rate risk of the Group effectively and increase exchange gain, which better promoted the development of its business.

In relation to expanding market sales, with the successful listing of the A shares of the Company (the "A Shares") on the main board of the Shanghai Stock Exchange in 2020, 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 and new sales channels. The sales volume in China, countries in Asia (other than China), Africa and North America all recorded an increase as compared with last year.

In respect of technology configuration, the Company set up an advanced research and development laboratory and a testing center, and established an experienced quality control testing and new product development team. The research and development center was equipped with a comprehensive fruit and vegetable processing pilot line with complete functions and supporting facilities, which is used to conduct and develop a variety of fruit and vegetable juice and pulp processing. The research and development department of the Company has the advantages of technology and talents in the research of intensive processing of fruits and vegetables, and has been successively recognized as National Apple Processing Technology R&D Sub-center, National Agricultural Products Processing Enterprise Technology Innovation Institution, Shandong Apple Juice Processing Engineering Technology Research Center, Shandong Apple Intensive Processing Technology Key Laboratory, Shandong Enterprise Technology Center, and Shandong Fruit and Vegetable Storage and Processing Technology Innovation Center. In order to

\* For identification purpose only

## Chairman's Statement

strengthen the cooperation among “enterprises, universities and research institutions”, the Company continued to maintain good cooperative relations with some well-known universities and research institutes in China, aiming at promoting the Company's scientific and technological innovation and the cultivation of high-end talent teams, providing high-quality products to meet customers' needs, and responding to the national rural revitalization strategy, and striving to make the Company develop into a world-renowned beverage enterprise.

In 2022, the Company mainly focused on the following research and development work:

1. conducted research on the key technology of efficient processing of clear strawberry juice concentrate in Muping District and completed the application for project acceptance;
2. conducted research on the key technology of membrane concentration and cleaning in juice processing and completed the pilot test;
3. continued to carry out research and development on the key technology project of intensive processing of representative fruits in Northern China, and completed the key technology of apple juice foam control and the transformation of its achievements at present; and
4. conducted research on the key technology of clear juice concentrate processing, completed the research on the key technology of foam elimination, consumption reduction and emission reduction and color value stabilization industrialization in the process of juice processing, and completed the transformation of project technology achievements.

### Analysis of the Industry and Our Market Share

In 2022, the export volume of China's apple juice concentrate was approximately 399,139 tonnes, representing a decrease of approximately 5% as compared to approximately 419,100 tonnes in 2021. 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 would be affected not only by the global economy, but also the production and sales of apple juice concentrate in Europe. The United States is the main demand country of apple juice concentrate in the world and the main importer of China's apple juice concentrate. Since the beginning of the Sino-US trade friction in 2018, the competitiveness of China's apple juice concentrate in the international market declined, and the export volume of China's apple juice concentrate to the United States declined greatly due to the high tariffs. The export volume of China's apple juice concentrate to the world also declined. From 2019 to 2022, the export volume of China's apple juice concentrate was relatively stable, about 400,000 tonnes. The Company has always maintained a good development trend on the strength of the advantages of management, technology and capital, and is committed to providing customers with high-quality products. The Company has become a leading well-known enterprise in the juice concentrate industry in the world. Under the circumstance that the production and sales volume of the world juice concentrate industry is generally increasing, the Company's total profit and profit rate level have maintained a leading position in the industry in China for many years.

# Chairman's Statement

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. Although there is still short-term effect arising from the Sino-US trade friction, as the Group already has relatively fixed market shares and customer base in these major consumer countries, the total demand of apple juice concentrate will not decline due to the Sino-US trade friction. Meanwhile, due to the rising public awareness on dietary nutrition in the developing countries, the consumption demand in these markets, especially Russia, China, India, Egypt, etc., is also increasing and a new growing consumption power is formed. 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

With the continuous improvement of living standards, the gradual upgrading of consumption concept and the continuous improvement of the production technology of apple juice concentrate, the production and consumption of apple juice and juice beverage will continue to maintain a strong growth momentum and present the characteristics of "green, environmental protection, nutrition and health". Apple juice concentrate is not only widely used in many fields of food manufacturing, such as beverage, candy, baking, dairy products, etc., but also can be used as the basic ingredient of beverage production, and can also be used as the raw material of fruit wine brewing, and the additives of cosmetics and various drugs. Apple juice concentrate has increasingly become a consumption fashion in the international market, so the demand of apple juice concentrate is rigid and stable. 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 proactively broaden the sales channels, continue to make further investment and effort in domestic and oversea sales development, launch and increase the research and development, production and sales of apple fructose, peach juice, cloudy apple juice, hawthorn fruit juice and other products, further diversify products, broaden financing channels and put further effort in other areas.

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.



# Chairman's Statement

On research and development, in 2023, the Group will undertake the research on key technology development and application of intensive processing of representative fruits in Northern China of Shandong Provincial Key Research and Development Program (Major Scientific and Technological Innovation Project); continue to develop fruit and vegetable juice beverages and a series of differentiated end products with distinguishing flavors; 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.

## Dividend

To maximise the interests of the Company and its Shareholders as a whole, the Board intends to recommend payment of 2022 dividend of RMB1.00 per ten shares at the forthcoming annual general meeting.

## Appreciation

During the reporting period, in face of various special risks and challenges such as rising domestic logistics costs caused by high energy price, increasing raw apple costs and US tariff, the Company increased its production and operation control and market development efforts, resulting in a modest increase in sales volume and a greater increase in sales revenue. Meanwhile, the Company made timely forward exchange settlements, recorded substantial exchange gain under the situation of RMB depreciation, thus maintaining the Company's net profit at a relatively high 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 domestic juice concentrate enterprises are expected to exit from market competition in the face of the volatility in the industry and the Company enjoys increased visibility by becoming a dual-listed "A+H" company. 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*

31 March 2023

\* For identification purpose only

# Management Discussion and Analysis

## Financial Review

### Major Operating Performance

For the year ended 31 December 2022, the operating income of the Group was RMB1,065,429,309, representing an increase of approximately 22.24% as compared to RMB871,587,320 for the corresponding period last year. During the year, as the congestion in major international ports was alleviated, the turnover of marine vessels and containers was improved, and the freight rates of ship routes gradually declined, especially the demand in North America market showed a recovery growth as compared with the previous year, resulting in a slight increase in the sales volume of the Company, a steady increase in the sales price and a significant increase in the sales revenue.

For the year ended 31 December 2022, the Group's gross profit was RMB213,135,181 and the gross profit margin was approximately 20.00%. For the corresponding period in 2021, the gross profit was RMB179,672,752 and the gross profit margin was approximately 20.61%. Total gross profit for the year recorded an increase mainly owing to the increase in both sales volume and selling price compared with last year. The decrease in gross profit margin was mainly due to the increase in raw fruit price and thus increase in principal operating cost,

For the year ended 31 December 2022, the Group recorded net profit of RMB194,348,829, all of which was the net profit attributable to the owners of the parent company. As compared to RMB160,014,985 for the corresponding period of last year, it increased by RMB34,333,844 or approximately 21.06%. Net profit recorded an increase, on one hand due to the year-on-year increase in sales volume and selling price, which led to a slight increase in total gross profit; on the other hand, due to the substantial increase in exchange gain of the Company resulted from depreciation of RMB against USD.

### Analysis on Principal Businesses

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

Item	2022 RMB	2021 RMB	Change (%)
Operating income	1,065,429,309.28	871,587,320.36	22.24
Operating cost	852,294,128.44	691,914,568.76	23.18
Selling and distribution expenses	4,248,926.54	3,066,264.46	38.57
General and administrative expenses	41,140,551.58	46,412,962.00	-11.36
Financial expenses	-48,655,828.43	7,062,032.85	-788.98
Research and development expenses	17,939,967.61	12,430,586.65	44.32
Other income	9,071,997.83	1,190,178.41	662.24
Gain on changes in fair value	-23,631,653.19	5,229,663.42	-551.88
Credit impairment loss	-9,796,311.24	4,435,576.05	320.86
Asset impairment loss	-8,802,178.61	-236,979.91	3,614.31
Gain on disposal of assets	2,568.45	248,459.12	-98.97
Profits tax expenses	2,873,053.66	-126,442.99	2,372.21
Net cash flow from operating activities	240,732,253.32	194,021,077.47	24.08
Net cash flow from investing activities	-377,579,146.66	-66,217,881.97	-470.21
Net cash flow from financing activities	-33,123,056.25	65,085,122.35	-150.89

# Management Discussion and Analysis

## Reasons for changes of items:

Operating income	mainly due to year-on-year increase in sales volume and selling price of juice concentrates during the reporting period
Operating cost	mainly due to increase in sales volume and raw fruit costs during the reporting period
Selling and distribution expenses	mainly due to increase in payment of commission to customers and salary of sales person
General and administrative expenses	mainly due to the reclassification of expenses incurred during the production suspension period and daily repairs and maintenance fee to principal operating cost according to the enterprise accounting standard
Financial expenses	mainly due to increase in exchange gain from depreciation of RMB against USD during the reporting period
Research and development expenses	mainly due to the increase in investment in scientific research during the reporting period
Other income	mainly due to the increase in government grant received during the reporting period
Gain on changes in fair value	mainly due to the decrease in fair value of financial assets held for trading such as shares during the reporting period
Credit impairment loss	mainly due to the increase in provision of assets impairment loss according to enterprise accounting standard caused by increase in accounts receivable balance during the reporting period
Asset impairment loss	mainly due to the provision of fixed assets impairment loss for a subsidiary of RMB9,640,000 during the reporting period
Gain on disposal of assets	mainly due to the decrease in disposal of fixed assets during the reporting period
Profits tax expenses	mainly due to the increase in total profit from non-tax-exempt items and thus increase in provision for profits tax during the reporting period
Net cash flow from operating activities	mainly due to the increase in sales revenue during the reporting period
Net cash flow from investing activities	mainly due to the increase in amount for purchase of fixed-term wealth management products during the reporting period
Net cash flow from financing activities	mainly due to the increase in amount for repurchase of H shares by the Company and repayment of bills on schedule during the reporting period

# Management Discussion and Analysis

## 2. Analysis on income and cost

For the year ended 31 December 2022, the operating income generated from principal businesses of the Group was RMB1,053,115,863, representing a year-on-year increase of approximately 22.18%, and the principal businesses cost was RMB845,280,947, representing a year-on-year increase of approximately 23.02%.

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

By industry	Principal Business 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	1,032,619,248.45	834,036,091.81	19.23	23.58	24.01	-0.28
Pomace manufacturing industry	20,496,614.26	11,244,854.76	45.14	-22.14	-22.88	0.53
Total	1,053,115,862.71	845,280,946.57	19.74	22.18	23.02	-0.54

By product	Principal Business 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 (%)
Fruit juice, essence	1,032,619,248.45	834,036,091.81	19.23	23.58	24.01	-0.28
Pomace	20,496,614.26	11,244,854.76	45.14	-22.14	-22.88	0.53
Total	1,053,115,862.71	845,280,946.57	19.74	22.18	23.02	-0.54

# Management Discussion and Analysis

By market	Principal Business by Region					
	Operating income	Operating cost	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
	RMB	RMB	(%)	(%)	(%)	(%)
International market	772,882,903.80	-	-	29.55	-	-
Domestic market	280,232,958.91	-	-	5.62	-	-
Total	1,053,115,862.71	-	-	22.18	-	-

Sales method	Principal Business by Region					
	Operating income	Operating cost	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
	RMB	RMB	(%)	(%)	(%)	(%)
Oversea sales	772,882,903.80	-	-	29.55	-	-
Domestic sales	280,232,958.91	-	-	5.62	-	-
Total	1,053,115,862.71	-	-	22.18	-	-

By region	Operating income	Year-on-year	Operating cost	Year-on-year	Gross profit margin	Year-on-year
	RMB	(%)	RMB	(%)	(%)	(%)
America	318,973,470.94	160.87	-	-	-	-
Asia	515,875,911.74	8.87	-	-	-	-
Africa	116,239,407.60	26.07	-	-	-	-
Europe	33,623,158.09	-59.28	-	-	-	-
Oceania	68,403,914.34	-24.85	-	-	-	-
Total	1,053,115,862.71	22.18	-	-	-	-

# Management Discussion and Analysis

The increase in operating income in America, Asia and Africa was mainly due to the year-on-year increase in sales volume and selling price in these areas.

The decrease in operating income in Europe and Oceania was mainly due to the decrease in sales volume in these areas.

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

## (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	60,000	116,100	63,600	-48.00	10.01	-43.52

Descriptions on production and sales volume

Decrease in production volume was mainly attributable to the rise in raw fruit price.

Increase in sales volume was mainly due to the Company's effort in market development and increase in customer demand.

## (3). Analysis on cost

By industry	Cost item	Amount for the period RMB	By industry		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
			Percentage of total costs for the period (%)	Amount for the corresponding period of last year RMB					
Beverage manufacturing industry	Ingredient	465,845,317.82	60.88	366,173,590.73	67.40	27.22	mainly due to the decrease in production volume		
Pomace manufacturing industry	Ingredient	833,739.50	0.27	1,605,977.04	0.27	-48.09	mainly due to the decrease in processing volume		

# Management Discussion and Analysis

		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 (%)	Description
Fruit juice and essence	Ingredient	465,845,317.82	60.88	366,173,590.73	67.40	27.22	mainly due to the decrease in the production volume
Pomace	Ingredient	833,739.50	0.27	1,605,977.04	0.27	-48.09	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 (%)	Percentage change (%)
Ingredient cost	466,679,057.32	367,779,567.77	76.86	26.89
Labor cost	16,658,665.51	21,612,711.38	2.74	-22.92
Manufacturing cost	52,864,655.95	64,723,292.63	8.71	-18.32
Others	71,006,636.73	147,380,922.39	11.69	-51.82
Total	607,209,015.51	601,496,494.17	100.00	0.95

The year-on-year increase in ingredient cost was mainly due to the significant increase in the acquisition price of raw fruits during the reporting period.

The year-on-year decrease in labor cost, manufacturing cost and other costs was mainly due to the decrease in production volume during the reporting period.

## Management Discussion and Analysis

### 3. Expense

Item	Amount for the corresponding period of last year		Increase/ decrease RMB	Percentage change %
	Amount for the period RMB	Amount for the corresponding period of last year RMB		
Selling and distribution expenses	4,248,926.54	3,066,264.46	1,182,662.08	38.57
General and administrative expenses	41,140,551.58	46,412,962.00	-5,272,410.42	-11.36
Research and development expenses	17,939,967.61	12,430,586.65	5,509,380.96	44.32
Financial expenses	-48,655,828.43	7,062,032.85	-55,717,861.28	-788.98

The increase in selling and distribution expenses was mainly due to the increase in payment of commission to customers and salary of sales persons.

The decrease in general and administrative expenses was mainly due to the reclassification of expenses incurred during the production suspension period and daily repairs and maintenance fee to principal operating cost according to the enterprise accounting standard.

The increase in research and development expenses was mainly due to the increase in investment in scientific research during the reporting period.

The decrease in financial expenses was mainly due to increase in exchange gain from depreciation of RMB against USD during the reporting period.



# Management Discussion and Analysis

## 4. Research and development investment

<i>(1). Analysis of research and development investment</i>		
Expensed research and development investment during the period	RMB17,939,967.61	
Capitalised research and development investment during the period		–
Total research and development investment	RMB17,939,967.61	
Proportion of total research and development investment to operating revenue		1.68%
Proportion of research and development investment capitalised		–
<i>(2). Analysis of research and development staff</i>		
Number of research and development staff		49
Proportion of number of research and development staff to total number of staff of the Group		6.35%
Education level of research and development staff		
Education level		Number of staff
Doctor		–
Master		1
Bachelor		15
Technician		16
High school and below		17
Age of research and development staff		
Age group		Number of staff
below 30 (excluding 30)		10
30-40(including 30 but not 40)		23
40-50(including 40 but not 50)		15
50-60(including 50 but not 60)		1
60 or above		–

In 2022, the Company mainly focused on the following research and development work:

1. conducted research on the key technology of efficient processing of clear strawberry juice concentrate in Muping District and completed the application for project acceptance;
2. conducted research on the key technology of membrane concentration and cleaning in juice processing and completed the pilot test;
3. continued to carry out research and development on the key technology project of intensive processing of representative fruits in Northern China, and completed the key technology of apple juice foam control and the transformation of its achievements at present; and
4. conducted research on the key technology of clear juice concentrate processing, completed the research on the key technology of foam elimination, consumption reduction and emission reduction and color value stabilization industrialization in the process of juice processing, and completed the transformation of project technology achievements.

## Management Discussion and Analysis

### 5. Extraordinary gain or loss items and amounts

Extraordinary gain or loss item	Amount for 2022 RMB	Notes (if applicable)	Amount for 2021 RMB	Amount for 2020 RMB
Gains or losses on disposal of non-current assets	-42,232.17		-187,419.88	-185,475.58
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	9,070,315.49		1,185,221.13	2,875,789.81
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	23,088,025.42		59,627,706.24	59,820,589.06
Non-operating income and expenses other than those stated above	-19,624.79		-22,375.83	-1,205,900.86
Other profit or loss items falling within the definition of non-recurring profit or loss	-		-	4,389,314.09
Less: Effect of income tax	<u>2,873,053.66</u>		<u>-</u>	<u>-</u>
Total	<u>29,223,430.29</u>		<u>60,603,131.66</u>	<u>65,694,316.52</u>

# Management Discussion and Analysis

## 6. Cash flows

Item	2022 RMB	2021 RMB	Increase/ decrease %	Description
Tax refund received	78,057,986.83	53,823,707.74	45.03	mainly due to increase in amount of refund of export tax received during the reporting period
Proceeds from other operating activities	21,812,922.07	14,425,463.02	51.21	mainly due to the subsidy for Shandong Provincial Key Research and Development Program received during the reporting period
Payments for taxes	36,212,252.62	25,941,561.75	39.59	mainly due to the increase in sales which caused the increase in payment of VAT during the reporting period
Proceeds from investment	4,987,198,191.68	1,770,394,086.31	181.70	mainly due to the increase in amount for disposal of wealth management products during the reporting period
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	42,130.15	3,677,806.18	-98.85	mainly due to the decrease in disposal of fixed assets during the reporting period
Net proceeds from disposal of subsidiary and other operating unit	11,198,612.19	-	not applicable	mainly due to the proceeds from disposal of 75% equity interest in Yantai Andre Juice Co., Ltd., a subsidiary, during the reporting period
Proceeds from other investing activities	6,312,998.04	3,987,137.71	58.33	mainly due to the increase in interest income received during the reporting period
Payments for investment	5,252,535,492.56	1,814,146,193.61	189.53	mainly due to the increase in amount for purchase of wealth management products during the reporting period
Payments for other investing activities	120,000,000.00	-	not applicable	mainly due to the increase in other debt investments during the reporting period
Proceeds from other financing activities	50,000,000.00	9,651,350.00	418.06	mainly due to the discounted domestic bills from China CITIC Bank received during the reporting period
Repayment of debts	50,000,000.00	-	not applicable	mainly due to the repayment of short-term loan to The Bank of China Limited during the reporting period
Payments for other financing activities	93,914,876.19	25,762,755.43	264.54	mainly due to the amount for repurchase of H shares by the Company and payment for domestic bills payable during the reporting period
Effect of foreign currency exchange rate changes on cash and cash equivalents	19,691,440.78	-6,135,515.52	420.94	mainly due to the exchange gain caused by the depreciation of RMB against US Dollars during the reporting period

# Management Discussion and Analysis

## 7. 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	234,342,437.81	8.98	380,359,588.27	15.44	-38.39	1
Financial assets held for trading	581,808,314.35	22.29	316,218,242.00	12.83	83.99	2
Prepayments	619,044.11	0.02	2,130,015.84	0.09	-70.94	3
Other receivables	26,795,468.30	1.03	819,188.16	0.03	3,170.98	4
Other current assets	202,391,536.17	7.76	139,860,951.29	5.68	44.71	5
Long-term equity investments	11,927,635.75	0.46	-	-	not applicable	6
Construction in progress	56,637.17	0.00	1,299,652.97	0.05	-95.64	7
Other non-current assets	620,045.30	0.02	460,166.52	0.02	34.74	8
Short-term borrowings	130,089,680.56	4.98	100,058,819.45	4.06	30.01	9
Bills payables	-	-	10,000,000.00	0.41	-100.00	10
Accounts payable	60,082,606.79	2.30	95,818,820.60	3.89	-37.30	11
Taxes payable	19,667,063.03	0.75	5,163,669.26	0.21	280.87	12
Other payables	1,485,027.30	0.06	2,817,621.14	0.11	-47.29	13
Deferred income	6,279,000.00	0.24	-	-	not applicable	14
Capital reserve	4,636,889.39	0.18	51,532,007.12	2.09	-91.00	15
Treasury shares	-	-	23,872,408.21	0.97	-100.00	16

# Management Discussion and Analysis

## Description:

- 1 The decrease in cash at bank and on hand was mainly due to the increase in purchase of various wealth management products by idle cash during the reporting period;
- 2 The increase in financial assets held for trading was mainly due to the increase in purchase of various wealth management products during the reporting period;
- 3 The decrease in prepayments was mainly due to the decrease in prepayment to suppliers during the reporting period;
- 4 The increase in other receivables was mainly due to lending to third parties during the reporting period;
- 5 The increase in other current assets was mainly due to the increase in other debt investments at the end of the reporting period;
- 6 The increase in long-term equity investments was mainly due to disposal of 75% equity interest in Yantai Andre Juice Co., Ltd., a wholly-owned subsidiary before the disposal, during the reporting period;
- 7 The decrease in construction in progress was mainly due to the capitalization of newly-constructed production line of Dalian Andre Juice Co., Ltd., a wholly-owned subsidiary of the Company, at the end of the reporting period;
- 8 The increase in other non-current assets was mainly due to the increase in prepaid construction fee at the end of the reporting period;
- 9 The increase in short-term borrowings was mainly due to increase in short-term loans during the reporting period;
- 10 The decrease in bills payable was mainly due to the Company repaid bills from banks on time during the reporting period;
- 11 The decrease in accounts payable was mainly due to early suspension of production during the reporting period and thus decrease in auxiliary materials, packing materials and fuel payables;
- 12 The increase in taxes payable was mainly due to increase in sales and thus increase in VAT payables during the reporting period;
- 13 The decrease in other payables was mainly due to the decrease in guarantee payments, deposit and other payables during the reporting period;
- 14 The increase in deferred income was mainly due to the receipt of subsidy for Shandong Provincial Key Research and Development Program during the reporting period;
- 15 The decrease in capital reserves was mainly due to the cancellation of H Shares repurchased on 11 February 2022;
- 16 The decrease in treasury shares was due to the cancellation of H Shares repurchased on 11 February 2022.

## Management Discussion and Analysis

### 8. Analysis on major subsidiaries and investee companies

<b>Name of companies</b>	<b>Total asset</b> <i>RMB</i>	<b>Net asset</b> <i>RMB</i>	<b>Net profit</b> <i>RMB</i>
Baishui Andre Juice Co., Ltd.	574,409,308.96	552,467,992.70	48,747,772.71
Yantai Longkou Andre Juice Co., Ltd.	262,904,838.86	253,797,257.72	17,819,996.42
Xuzhou Andre Juice Co., Ltd.	233,346,153.73	225,426,279.69	7,363,109.35
Andre Juice Co., Ltd.	241,833,364.68	206,516,836.07	14,520,704.95
North Andre Juice (USA) Inc.	133,237,575.44	-6,018,157.46	-8,569,716.81
Dalian Andre Juice Co., Ltd.	283,623,649.74	269,101,855.78	17,819,820.50
Yongji Andre Juice Co., Ltd.	268,501,609.81	255,506,075.12	36,639,638.40
Anyue Andre Lemon Industry Technology Co., Ltd.	55,291,054.97	-2,887,482.52	-10,173,476.72
Liquan Yitong Juice Co., Ltd.	239,493,107.00	231,698,084.73	16,185,434.08

# Management Discussion and Analysis

## Business Review

### Enlarging Market and Diversifying Products

During 2022, 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, 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 market and customers information in a timely manner, to get more customer orders.

### Optimising Customer Base

While expanding its market places, enlarging its market shares and upgrading the product quality continuously, the Group also continued to optimize its profile of customer base. Through exhibitions, customers’ visits and other channels, the Group sought to increase its exposure to new customers and got more chances for cooperation, so as to understand customer demand, provide better products and service, and to increase customer confidence. Currently, the customer base of the Group mainly comprises renowned beverage manufacturers and traders 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 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.

# Management Discussion and Analysis

## 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, Oceania, African countries and Japan. 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 sales of high value-added products, such as apple fructose, peach juice, cloudy apple juice and hawthorn fruit juice, so as to enrich its product range, increase income and meet the demands of various customers.

### Increasing Market Development Efforts and Promoting Customer Confidence

As the Company's popularity in the industry has been significantly improved, the Group vigorously expanded international emerging markets and customers, optimized the sales channels and increased the proportion of domestic sales under the premise of maintaining the original market share. Adhering to the market-oriented principle and the customer-centered philosophy, the Group combined the Company's products, brands and services to continuously create value for customers and enhance their trust. The Group provided a variety of products and completed the one-stop product supply in combination with the Company's small variety projects. The Group further enhanced customers' trust to and cooperation with the Company with high-quality products, sincere service and rich product categories.

### 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 2023, the Group will undertake the research on key technology development and application of intensive processing of representative fruits in Northern China of Shandong Provincial Key Research and Development Program (Major Scientific and Technological Innovation Project); continue to develop fruit and vegetable juice beverages and a series of differentiated end products with distinguishing flavors; and optimize juice processing technique.



# Management Discussion and Analysis

## 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), the main ingredient of which 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. 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 maximized the Company's production capacity, which not only effectively protects the quality of the Company's products, but also reduces the Company's production costs.

### 2. 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. On one hand, the Company timely launched and increased the research and development, production and sales of apple fructose, peach juice concentrate, hawthorn fruit juice concentrate and cloudy apple juice and other products, and 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. On the other hand, the Company is proactively looking for investment which can bring sustainable and stable income to the Company, so as to increase the profit level of the Company, effectively ease the risk of relying on a single product and risk of fluctuation of ingredient costs and improve the risk resistance capacity of the Company.

### 3. Risk of exchange rate

The Company's main business is located in China, its domestic business is settled in RMB, and its export business is mainly settled in US dollars. Hence, the Company's confirmed foreign currency assets and liabilities and future foreign currency transactions (foreign currency assets and liabilities and foreign currency transactions are mainly denominated in US dollars) are subject to a risk of fluctuation of exchange rate.

Countermeasures: The finance department of the Company is responsible for monitoring the scale of foreign currency transactions, foreign currency assets and liabilities of the Company to minimize the risk of exchange rate. To this end, the Company will sign forward foreign exchange settlement contracts to avoid the risk of exchange rate.

# Management Discussion and Analysis

## Charge on Assets

The Group has no assets charged as at 31 December 2022.

## Contingent Liabilities

Saved as disclosed in Note XI.(II) to the Financial Statements, the Group has no contingent liabilities as at 31 December 2022.

## 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 V.27 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 2022, the total outstanding amount of all types of bank loans of the Group was RMB130,089,681, all of which were short-term loans with fixed interest rates ranging from 2.85% to 3.70% per annum. During the year of 2022, the Company repaid all loans as they fell due on schedule. The Directors consider that the Group has sufficient financial resources to meet its ongoing operation requirements.

# Management Discussion and Analysis

## Gearing Ratio

As at 31 December 2022, the Group had cash and cash equivalents of approximately RMB234,342,438. The Group's gearing ratio as at 31 December 2022 was approximately 9.21% (2021: approximately 9.68%), which was calculated by dividing the Group's total liabilities of approximately RMB240,403,543 (2021: RMB238,542,901) by the total assets of approximately RMB2,609,813,360 (2021: RMB2,464,111,599).

## Environmental Policies

The details of environmental, social and governance policies and performance of the Group will be disclosed in the "Social Responsibilities, Environmental, Social and Governance Report 2022" to be issued by the Company in accordance with Appendix 27 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules").

# Directors, Supervisors and Senior Management

## Directors

### Executive Directors

Mr. Wang An (王安), aged 60, 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 50, 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 Xiping 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 Company. Mr. Zhang joined the Company in December 1998 and has been involving in the production of apple juice concentrate since then. Mr. Zhang successively served as the 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 (majoring in corporate management) in July 1997. Mr. Zhang is an engineer.

\* For identification purpose only

## Directors, Supervisors and Senior Management

Mr. Wang Yan Hui (王艷輝), aged 46, 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 vice-president, financial controller of the Group and the secretary to the Board.

### Non-executive Director

Mr. Liu Tsung-Yi (劉宗宜), aged 56, is a non-executive Director. He has been a non-executive Director of the Company since 22 June 2009. Mr. Liu is the deputy general manager of the business integration division of Uni-President Enterprises Corp., a company listed on the Taiwan Stock Exchange Corporation (stock code: 1216). 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 Corporation (stock code: 2855); Tait Marketing and Distribution Co., Ltd. is a company listed on the Taipei Exchange (stock code: 5902). 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. Gong Fan (龔凡), aged 59, is an independent non-executive Director since 26 May 2022. He graduated from Xi'an Jiaotong University (西安交通大學) in July 1987 with a Bachelor's degree in Industrial Management Engineering (工業管理工程). Mr. Gong has over 30 years of experience in finance and is a certified public accountant and a certified valuer in the PRC. Mr. Gong worked in Beihai Finance Bureau in Guangxi Province (廣西北海市財政局) from 1987 to 1992; and Beihai Accounting Firm\* (北海會計師事務所) and Zhong He Accounting Firm\* (中和會計師事務所) from 1993 to 2000 as a registered accountant. Mr. Gong was the Chief Finance Officer of the Company and Secretary of the Board from 2001 to 2003, a director and Chief Financial Officer of Henan Ping Gao Electric Co., Ltd.\* (河南平高電氣股份有限公司) (its shares are listed on the Shanghai Stock Exchange, stock code: 600312) from 2003 to 2004, Chief Investment Officer of Creat Tian Cheng Investment Holding Co., Ltd.\* (科瑞天誠投資控股有限公司) from 2005 to 2015. He has been the vice president of Beijing Hongyuan Chuangjia Holdings Co., Ltd.\* (北京宏遠創佳控股有限公司) since January 2015. Mr. Gong served as an independent non-executive Director of the Company from June 2011 to January 2017, and has served as a non-independent director of Guangdong Jingyi Metal Co., Ltd.\* (廣東精藝金屬股份有限公司) (its shares are listed on the Shenzhen Stock Exchange, stock code: 2295) since May 2019.

\* For identification purpose only

## Directors, Supervisors and Senior Management

Ms. Wang Yan (王雁), aged 65, is an independent non-executive Director since 26 May 2022. Ms. Wang graduated from TAFE in Western Australia and Curtin University majoring in English and IT software. Ms. Wang has 20 years of experience in enterprise operation and management. Ms. Wang served as the assistant to general manager in Raymond Industrial Limited (its shares are listed on The Stock Exchange of Hong Kong Limited, stock code: 229) from 1993 to 1996, deputy general manager in High Sun Industrial Co., Ltd. from 2002 to 2006, deputy general manager in DEUTZ Energy Systems Technology Beijing Company from 2006 to 2011, Chief Financial Officer and Compliance Officer in Hong Kong China International Medical Rescue Co., Ltd.\* (香港中國國際醫療救援有限公司) from 2011 to 2018, and a consultant in the Beijing Representative Office of the American Heart Association from 2018 to 2019.

Mr. Li Yao (李堯), aged 60, 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, a company listed on the Shenzhen Stock Exchange (stock code: 2252) since June 2007. Since May 2019, he served as the director of Guangdong JingYi Metal Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 2295).

\* For identification purpose only

# Directors, Supervisors and Senior Management

## Supervisors

Mr. Meng Xianglin (孟相林), aged 59, is a staff representative supervisor since 9 March 2022. Mr. Meng is a member of the Communist Party of the People's Republic of China. Mr. Meng served as the vice director of operation of Muping Towel Factory\* (牟平縣毛巾廠), the general manager of Yantai Huaying Textile Co., Ltd.\* (煙台華穎紡織有限公司) and the business manager of Shandong Muping Chemical Packages Import & Export Company\* (山東牟平化工包裝進出口公司). Mr. Meng served as the workshop director of the production department of the Company from August 2007 to August 2009, served as the manager of management department of Yantai Tongli Beverage Industry Co., Ltd.\* (煙台統利飲料工業有限公司) from September 2009 to February 2012, successively served as the manager of the nutrition and health business department and the manager of the fruit deep processing business department of Yantai DSM Andre Pectin Co., Ltd. from March 2012 to March 2019, served as the manager of management department of Yantai Andre Construction and Installation Engineering Co., Ltd. from April 2019 to October 2019, and served as the director of the comprehensive management department and the director of the safety leadership group office of the Company since October 2019. Mr. Meng has been successively awarded "Quality Pioneer of Shandong Province", "Outstanding Quality Management Worker of Shandong Province", "New Long March Pioneer of Yantai City", "Employee's Trusted Family of Yantai City", etc.. Mr. Meng currently serves as a member of the Third Trade Union Committee of Shandong Agriculture, Forestry and Water Union.

Mr. Wang Bo (王波), aged 51, a member of the Communist Party of the PRC, with a bachelor's degree, is a Shareholder-approved Supervisor since 26 May 2022. Mr. Wang joined the Company in May 1996. Mr. Wang successively served as the deputy director of the production department, director of the production department, assistant to general manager of subsidiaries, deputy general manager and general manager of the Company from July 1997 to August 2016. Mr. Wang served as the vice president of Yantai DSM Andre Pectin Co., Ltd. from September 2016 to June 2019. Mr. Wang has been the general manager in Yantai Longkou Andre Juice Co., Ltd., a subsidiary since July 2019.

Mr. Huang Lian Bo (黃連波), aged 48, a college graduate, is a Shareholder-approved Supervisor since 26 May 2022. Mr. Huang joined the Company in 1997 and formerly worked as production line leader, workshop supervisor, manager in quality control and production manager. Mr. Huang is currently the chairman and general manager of Baishui Andre Juice Co., Ltd., a subsidiary, and executive director and general manager of Liquan Yitong Juice Co., Ltd.

\* For identification purpose only

# Directors, Supervisors and Senior Management

## Senior Management

Mr. Wang An (王安), aged 60, 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 50, 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 46, is an executive Director, vice-president, financial controller and secretary to the Board. Please refer to his biography under the sub-section headed “Directors”.

Ms. Wang Meng (王萌), aged 35, is the vice president of the Company since 27 May 2022. Ms. Wang is a Canadian with a bachelor’s degree. Ms. Wang worked in Hony Capital (Beijing) Co., Ltd.\* (弘毅投資(北京)有限公司) from October 2012 to March 2014. Since September 2013, she serves as the director of Rich Spring Holdings Limited. Since September 2014, she serves as the director of Hongan International Company Limited. Ms. Wang served as the financial management director of Harvest Wealth Management Co., Ltd. (嘉實財富管理有限公司) from April 2014 to May 2019, and serves as the vice chairman of Yantai Kunlong Hot Spring Co., Ltd.\* (烟台崑龍溫泉有限公司) and Yantai Xinping Construction and Installation Co., Ltd.\* (烟台新平建安工程有限公司) since June 2019. Ms. Wang serves as the vice chairman of Yantai Andre Agricultural Technology Co., Ltd.\* (烟台安德利農業科技有限公司) since September 2019, serves as the vice chairman of Yantai Longkou Andre Real Estate Development Co., Ltd.\* (烟台龍口安德利房產開發有限公司) since October 2019, and serves as the director of Yantai Yangma Island Andre Resort Co., Ltd.\* (烟台養馬島安德利度假村有限公司) since September 2021.

Mr. Wang Tao (王濤), aged 45, is the chief engineer of the Company since 27 May 2022. Mr. Wang has a bachelor’s degree. He joined the Company in 1997 and successively served as production line leader and director of production equipment department of the Company.

## Company Secretary

Ms. Ng Man Yee (伍敏怡), aged 51, 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.

\* For identification purpose only



# 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 of the Company (the “Articles of Association”), relevant laws and regulations, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (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 Part 2 of Appendix 14 (Corporate Governance Code (the “CG Code”)) to the Hong Kong Listing Rules. During the year ended 31 December 2022, the Company complied with the Code Provisions of the CG Code, except for the following deviation:

According to Code C.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.

# 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 (vice president and financial controller); one non-executive Director, namely, Mr. Liu Tsung-Yi; and three independent non-executive Directors, namely, Mr. Gong Fan (appointed on 26 May 2022), Ms. Wang Yan (appointed on 26 May 2022) and Mr. Li Yao. Mr. Jiang Hong Qi and Mr. Li Wei, former independent non-executive Directors, have resigned on 26 May 2022.

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 2025. 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 27 to 29 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;

# Corporate Governance Report

- 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; 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 2022, 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.

# Corporate Governance Report

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.

The Company has established mechanisms to ensure independent views and input are available to the Board including but not limited to, all Directors are entitled to retain independent professional advisors as and when it is required, all Directors are encouraged to express their views in an open and candid manner during the Board or committees meetings and that the number of independent non-executive Directors comply with the requirements of the Hong Kong Listing Rules that at least one-third of the Board members are independent non-executive directors. The implementation and effectiveness of such mechanisms are reviewed on an annual basis by the Board.

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:

	<b>Corporate Governance/ Updates on laws, rules and regulations</b>	
	<b>Read materials</b>	<b>Attend workshops</b>
<b>Executive Directors</b>		
Wang An	✓	✓
Zhang Hui	✓	✓
Wang Yan Hui	✓	✓
<b>Non-executive Director</b>		
Liu Tsung-Yi	✓	✓
<b>Independent non-executive Directors</b>		
Gong Fan (appointed on 26 May 2022)	✓	✓
Wang Yan (appointed on 26 May 2022)	✓	✓
Li Yao	✓	✓
Jiang Hong Qi (resigned on 26 May 2022)	✓	✓
Li Wei (resigned on 26 May 2022)	✓	✓

## 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.

# Corporate Governance Report

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 2022. 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 2022 is set out in the table below:

## Board Meeting

Date (DD/MM/YY)	Chair person	WA	ZH	WYH	LTY	JHQ**	LW**	LY	GF*	WY*
30/03/2022	WA	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
28/04/2022	WA	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
27/05/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓
18/07/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓
25/08/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓
30/08/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓
26/10/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓
20/12/2022	WA	✓	✓	✓	✓	N/A	N/A	✓	✓	✓

## General Meeting

Date (DD/MM/YY)	Chair person	WA	ZH	WYH	LTY	JHQ**	LW**	LY	GF*	WY*
16/02/2022	WA	✓	✓	✓	✓	✓	✓	✓	N/A	N/A
26/05/2022	WA	✓	✓	✓	✓	✓	✓	✓	N/A	N/A

# Corporate Governance Report

## Audit and Review Committee Meeting

Date (DD/MM/YY)	Chair person	JHQ**	LW**	LY	GF*	WY*
29/03/2022	JHQ**	✓	✓	✓	N/A	N/A
28/04/2022	JHQ**	✓	✓	✓	N/A	N/A
25/08/2022	GF*	N/A	N/A	✓	✓	✓
25/10/2022	GF*	N/A	N/A	✓	✓	✓

## Nomination Committee Meeting

Date (DD/MM/YY)	Chair person	WA	JHQ**	LY	GF*
29/03/2022	JHQ**	✓	✓	✓	N/A
25/08/2022	GF*	✓	N/A	✓	✓

## Remuneration and Review Committee Meeting

Date (DD/MM/YY)	Chair person	ZH	JHQ**	LY	GF*
29/03/2022	JHQ**	✓	✓	✓	N/A
25/08/2022	GF*	✓	N/A	✓	✓

## Strategic Committee Meeting

Date (DD/MM/YY)	Chair person	WA	ZH	JHQ**	GF*
29/03/2022	JHQ**	✓	✓	✓	N/A
18/07/2022	GF*	✓	✓	N/A	✓
20/12/2022	GF*	✓	✓	N/A	✓

Note:

WA Wang An  
 ZH Zhang Hui  
 WYH Wang Yan Hui  
 LTY Liu Tsung-Yi  
 GF\* Gong Fan  
 WY\* Wang Yan  
 LY Li Yao  
 JHQ\*\* Jiang Hong Qi  
 LW\*\* Li Wei

Symbols:

“✓” means attended the meeting  
 “\_” means not attended the meeting  
 “\*” means appointed on 26 May 2022  
 “\*\*” means resigned on 26 May 2022

# Corporate Governance Report

## 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 to 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 and supervisors, all Directors and supervisors have confirmed that they have complied with the required standard of dealings and the requirements in the Securities Code during 2022.

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 2022.

## Supervisory Committee

The supervisory committee of the Company (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 2022, the Supervisory Committee held five 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

# Corporate Governance Report

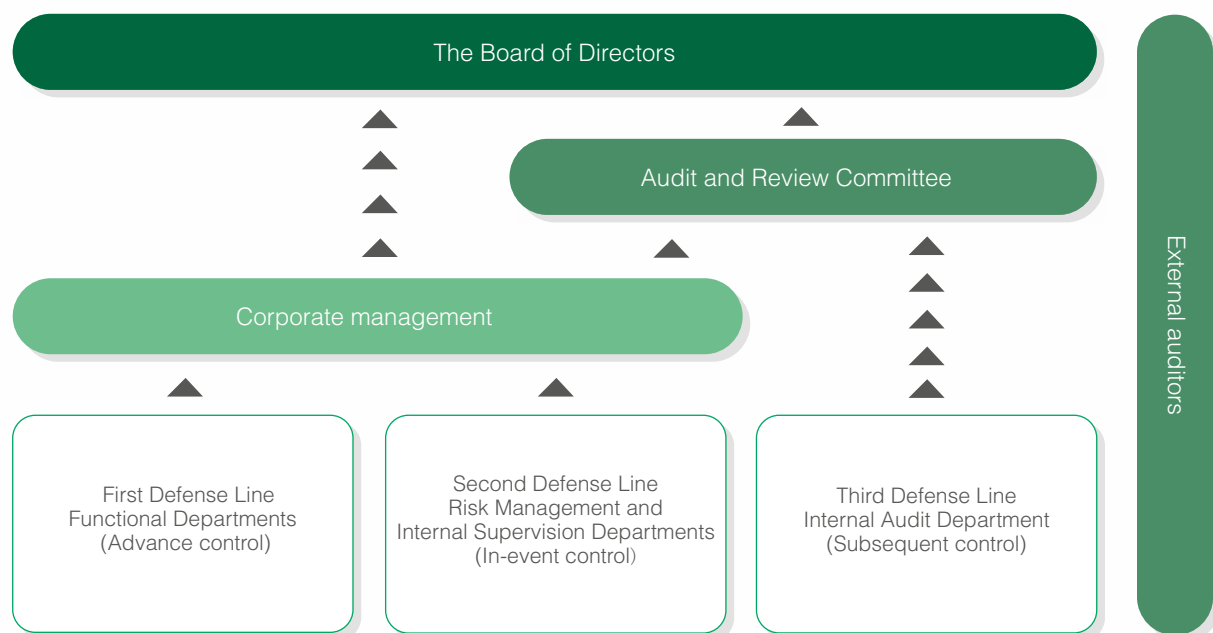
a key factor for ensuring the achievement of operational goal. The establishment of internal control system is for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability of financial information used within the business or for publication. 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.





# Corporate Governance Report

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 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 risk management and internal control systems were effective and adequate and the Company had complied with the Code Provisions on risk management and 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.

# Corporate Governance Report

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.

# Corporate Governance Report

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. Gong Fan (appointed on 26 May 2022), Ms. Wang Yan (appointed on 26 May 2022), Mr. Li Yao, Mr. Jiang Hong Qi (resigned on 26 May 2022) and Mr. Li Wei (resigned on 26 May 2022)). Its current chairman is Mr. Gong Fan.

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 four times in 2022. During 2022, 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 first quarterly, interim, third quarterly and annual accounts for 2022 were recommended to the Board for approval after discussion of the Audit and Review Committee.

## External Auditors

For the year ended 31 December 2022, the total external auditors' remuneration amounted to RMB830,188.68, which was all for the audit services provided by the external auditors. The audit fee has 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 74 to 80 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 2023. 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.

# Corporate Governance Report

## Remuneration and Review Committee

The Remuneration and Review Committee comprises Mr. Gong Fan (appointed on 26 May 2022), Mr. Jiang Hong Qi (resigned on 26 May 2022), Mr. Li Yao and Mr. Zhang Hui as members with Mr. Gong Fan as the current chairman. Mr. Gong Fan 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 2022 to review and approve the Directors' and senior management's remuneration for 2022. At those meetings, the committee approved the individual remuneration packages for Directors and senior management to be paid for 2022.

# Corporate Governance Report

### 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 E.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 2022 by band is set out below:

<b>Remuneration band (RMB)</b>	<b>Number of individuals</b>
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 2022, the Directors did not receive any discretionary bonus.

The amounts paid to each Director of the Company for 2021 and 2022 are disclosed in Note XIII.(I).1 and 2 to the Financial Statements.

# Corporate Governance Report

## Nomination Committee

The Nomination Committee is chaired successively by Mr. Gong Fan (appointed on 26 May 2022) and Mr. Jiang Hong Qi (resigned on 26 May 2022), independent non-executive Directors, 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 2022 to discuss the Board structure, size and composition and to evaluate the independence status of the independent non-executive Directors.

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, Mr. Gong Fan (appointed on 26 May 2022) and Mr. Jiang Hong Qi (resigned on 26 May 2022), independent non-executive Directors, as members with Mr. Gong Fan (appointed on 26 May 2022) and Mr. Jiang Hong Qi (resigned on 26 May 2022) as chairman successively. 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 2022, the Strategic Committee held three 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.

# Corporate Governance Report

## Company Diversity Policy

As at the date of this report, the Company had adopted a board diversity policy which sets out its approach to achieve and maintain diversity on the Board and set measurable objectives to implement the board diversity policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. 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 reviews the diversity of the Board annually and reports to the Board the composition of the Board members and monitors the implementation of such board diversity policy.

In compliance with code provision B.3.1 in Part 2 of the CG Code, the Nomination Committee had, at its meeting held on 29 March 2022, reviewed the structure, size and composition of the Board with reference to the board diversity policy. The Company considers that the current composition of the Board, one out of its seven members being female, is characterised by diversity, whether considered in terms of gender, nationality, professional background and skills. The current Directors have extensive experience and skills relevant to the business of the Company.

The Company has also taken, and will continue to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. During the reporting period, the total workforce of the Group comprised 70% female and 30% male. Further details of gender ratio, please refer to “Social Responsibilities, Environmental, Social and Governance Report”.

# Corporate Governance Report

## 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 26 May 2022 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 2022, the Company held 20 meetings and 3 video conferences with analysts and investors at its Yantai office. 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. The Company also answered 30 calls and replied 15 emails from investors.

The Company has reviewed its prevailing Shareholders' communication policy during the reporting period, and believes the Shareholders' communication policy is still appropriate and effective. 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.



# Corporate Governance Report

## 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 2022 to reflect:

- (i) the changes relating to cancellation of shares due to the shares repurchased in 2021 and 2022; and
- (ii) the amendments according to the “Guidelines on Articles of Association of Listed Companies (revised 2022)” issued by the China Securities Regulatory Commission and other relevant laws and regulations.

Details of which are set out in the circular of the Company dated 22 April 2022. 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.

# Corporate Governance Report

## **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](http://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](mailto: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 2022.

## 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 2022 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 2022 are set out in pages 81 to 232 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 RMB366,178,689, which accounted for about 34.37% of the Group's total turnover and sales to the largest customer included therein amounted to about 7.81%. Among the sales to the top five customers, sales to related parties was approximately RMB76,365,369, which represented 7.17% of total sales.

# Report of Directors

Purchases from the Group's top five largest suppliers amounted to approximately RMB41,776,812 and accounted for about 7.27% of total purchases for the year. The largest supplier accounted for about 2.03% of the total purchases of the Group for the year. Among the purchases from the top five suppliers, purchases from related parties was approximately RMB11,660,954, which represented 2.03% 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 RMB76,365,369. In addition, of the top five suppliers, the related party is Yantai Yitong Biological Energy 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 RMB11,660,954 from Yantai Yitong Biological Energy Co., Ltd.. Saved as disclosed above, none of the Directors, supervisors, their respective close 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 RMB35,770,000 (inclusive of tax), or RMB1.00 per every 10 shares for 2022. 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 25 May 2023. 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 8 June 2023 (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 6 June 2023 to 8 June 2023 (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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 5 June 2023. For A Shares holders, those whose names appear on the Company register of members at the close of business on 20 July 2023 (the "Record Date of A Shares") will be qualified for entitlement to the proposed final dividend. The final dividend is expected to be distributed on 21 July 2023.

## 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.

\* For identification purpose only

## Report of Directors

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 V.27 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 2022 amounted to RMB625,085,526 (2021: RMB559,205,794).

## Property, Plant and Equipment

During the reporting period, the Group incurred approximately RMB63,370,985 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 V.11 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 June 2021, the Company repurchased 4,000,000 H Shares with par value of RMB1.00 each on the Hong Kong Stock Exchange at prices ranging from HK\$6.65 to HK\$7.45 per H Share, for a total consideration of HK\$29,098,499 (including the fees such as commission fees). During January 2022, the Company further repurchased 5,600,000 H Shares with par value of RMB1.00 each on the Hong Kong Stock Exchange at prices ranging from HK\$6.15 to HK\$7.20 per H Share, for a total consideration of HK\$39,804,504 (including the fees such as commission fees). Under the general mandate granted to the Board to repurchase H Shares considered and approved at the 2020 annual general meeting, the 2021 second class meeting for holders of A Shares and the 2021 second class meeting for holders of H Shares convened by the Company on May 11, 2021, the Company repurchased 9,600,000 H Shares in total and the total consideration was HK\$68,903,002 (including the fees such as commission fees). Such shares were cancelled on 11 February 2022. 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 2022.

# Report of Directors

## A SHARE OFFERING AND USE OF PROCEEDS FROM A SHARE OFFERING

With the approval of the Reply on Approving the Initial Public Offering of Shares of Yantai North Andre Juice Co., Ltd.\* (Zheng Jian Xu Ke [2020] No. 1914) issued by the CSRC, 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. The net proceeds raised (after deducting the offering expense of RMB30,500,000) was RMB121,500,000. For details, please refer to the announcement of the Company dated 17 September 2020.

On 28 October 2021, the Board decided to use the idle proceeds not exceeding RMB120,000,000 for cash management. The relevant cash management products were redeemed upon maturity on 10 May 2022, 14 June 2022, 21 November 2022 respectively and the cash management was continued. For more details, please refer to the announcements of the Company issued on the above dates.

On 26 October 2022, the Board decided to use the idle proceeds not exceeding RMB60,000,000 to continue the cash management. For more details, please refer to the announcement of the Company dated 26 October 2022.

As at 31 December 2022, the use of proceeds raised from the A Share Offering and its balance are set out below:

	<i>RMB</i>
Balance of proceeds as of 31 December 2021	122,876,761.49
Less: Capital invested in the construction of 30-tonne production line for fruit juice concentrate of Dalian Andre	54,504,130.68
Add: interest income of deposits net of bank charges from January to December 2022	712,246.18
Add: income from cash management of wealth management products from January to December 2022	<u>1,637,512.63</u>
Balance of proceeds as of 31 December 2022	<u><u>70,722,389.62</u></u>

\* For identification purpose only

## Report of Directors

As at 31 December 2022, the balance of the Company's idle proceeds used for cash management and investment in related products was RMB60,000,000. The basic information of the investment products is set out below:

<b>Product Name</b>	<b>Subscription amount</b> <i>RMB</i>	<b>Contracting party</b>	<b>Date of investment</b>	<b>Date of maturity</b>
Guolian Shengxin No. 1014 Principal Protected and Floating Income Certificates (國聯盛鑫1014號本金保障浮動收益型收益憑證)	30,000,000	Guolian Securities Co., Ltd.	21/11/2022	20/2/2023
CITIC Jie Jie Sheng Li Series 2062 Income Certificates (中信節節系列2062期收益憑證)	30,000,000	Zhongxin Securities Co., Ltd.	22/11/2022	20/2/2023
Total	<u>60,000,000</u>			

On 30 December 2021, the Board considered and approved the "Proposal on Termination of the Original Proceeds-invested Project and Change of the Use of Part of the Proceeds and Capital Increase in a Wholly-owned Subsidiary", agreed to terminate the original proceeds-invested project "Construction of production line for multi-type fruit juice concentrate" and agreed to use RMB63,000,000 of the proceeds to increase the capital of Dalian Andre Juice Co., Ltd. ("Dalian Andre"), a wholly-owned subsidiary of the Company, for the construction of 30-tonne production line for fruit juice concentrate of Dalian Andre. This matter had been approved by the 2022 first special general meeting and class meetings of the Company held on 16 February 2022.

Since the listing of A Shares in September 2020, the Company had committed to the market research, promotion and equipment selection. Since the summer of 2021, world economic recovery was expected to slow down and the downstream beverage consumption market saw some trend changes: ① The Company was more cautious in promotion and investment of new products with a multiple varieties as raw material; ② The Company's downstream customers were subject to the competition of on-site beverage preparation; at the meantime, the Company's products made of various varieties were costly and lacked competitive advantages compared with low-cost alternatives. The Company is a supplier of food raw materials not serving the terminal consumers directly. It would take some time to learn the changes of the terminal consumer market. Fruits such as peach, pomegranate and strawberry have unique flavors, which are seldom added in the downstream food and beverage and have great market growth potential. However, the demand growth of these fruit juice concentrate products made of various fruits relies on the downstream customers to develop new products and market. As mentioned above, downstream customers' demand for products made of multiple varieties was falling due to the impact of competition. Based on the changes of downstream and terminal markets and the Company's sales data of products made of multiple varieties in the first three quarters in 2021, the market environment of the original project has changed significantly. By continuing with the investment in the original project, the original benefit target could not be achieved. The Company terminated the original project in time.



## Report of Directors

Apples grown in the place where Dalian Andre is located are more acidic than those produced from other places. Increase of new production line in Dalian will improve the Company's output of high acidity products, optimize the Company's capacity layout and satisfy customers' needs for different products. The Company had established long-term and stable cooperative relations with major beverage manufacturers local and abroad and the global market demand for apple juice concentrate is stable. Change of the use of part of the proceeds to new project will help the Company strengthen and expand the main business. Investment in the new project will give full play to the advantages of the Company's main business and increase certainties in comparison with the original project. To improve the efficiency of the use of proceeds and the return on investment of proceeds and enhance the Company's competitiveness, the Company changed the use of RMB63,000,000 of proceeds earmarked for the original project and use it for the construction of the new project.

In conclusion, the termination of the original project and the change of the use of part of the proceeds were prudent decisions made by the Company based on factors such as changes in the market environment and the Company's business development needs, and did not adversely affect the Company's production and operation. There was no instance of change of the investment of proceeds in violation of regulations and prejudice to the interests of Shareholders, especially minority Shareholders.

The use of proceeds from the A Share Offering is set out below:

Intended investment project	Planned investment amount RMB	Project status	Investment amount as at 31 December 2022 RMB	Difference between the actual investment amount as at the end of the period and the planned investment amount
				RMB
Construction of multi-type juice concentrate production line	-	terminated	2,035,100.00	-
Construction of 30-tonne production line for fruit juice concentrate of Dalian Andre	63,000,000.00	in use	<u>54,504,130.68</u>	(8,495,869.32)
Total			<u><u>56,539,230.68</u></u>	

The Company will use the remaining proceeds according to the progress of the investment projects and business development. As at 31 December 2022, 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 2022.

## 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 2022.

## Significant Investments

Saved as the investments and securities disclosed in Note V. 2 and 8 to the Financial Statements, no significant investment was held by the Group as at 31 December 2022.

## Subsequent Event

Saved as disclosed in Note XII to the Financial Statements, there was no subsequent event as at 31 December 2022.

## Employment and Remuneration Policy

For the year ended 31 December 2022, the Group had an average of 922 employees (2021: 913 employees). Staff costs including directors' remuneration for the years ended 31 December 2022 and 31 December 2021 were RMB66,052,366 and RMB65,849,059, 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 V.21 to the Financial Statements.

# Report of Directors

## Directors and Supervisors

During the year 2022 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: Gong Fan (appointed on 26 May 2022), Wang Yan (appointed on 26 May 2022), Li Yao, Jiang Hong Qi (resigned on 26 May 2022) and Li Wei (resigned on 26 May 2022)

Supervisors: Meng Xiang Lin (appointed on 9 March 2022), Wang Bo (appointed on 26 May 2022), Huang Lian Bo (appointed on 26 May 2022), Wang Zhi Wu (resigned on 26 May 2022), Wang Kun (resigned on 26 May 2022) and Dai Li Ying (resigned on 9 March 2022)

## 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

On 26 May 2022, Mr. Gong Fan and Ms. Wang Yan were appointed as independent non-executive Directors while Mr. Jiang Hong Qi and Mr. Li Wei resigned as independent non-executive Directors. On 9 March 2022, Mr. Meng Xiang Lin was appointed as staff representative Supervisor while Ms. Dai Li Ying resigned as staff representative Supervisor. On 26 May 2022, Mr. Wang Bo and Mr. Huang Lian Bo were appointed as Supervisors while Mr. Wang Zhi Wu and Wang Kun resigned as Supervisors. For senior management, Ms. Wang Meng was appointed as the vice president of the Company and Mr. Wang Tao was appointed as the chief engineer of the Company on 27 May 2022. Saved as disclosed above, there were no material changes to the Directors, Supervisors and senior management of the Company for the year ended 31 December 2022.

## 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/Related Party Transactions

### Continuing connected transactions/related party transactions under the Listing Rules

#### *I. CCT/related party transactions with Uni-President China Holdings*

On 30 December 2021, the Company and Uni-President China Holdings Ltd. (“Uni-President China Holdings”), a company indirectly holding the entire equity interest of President Enterprises (China) Investment Co., Ltd. (“President China Investment”), agreed to enter into the President Product Purchase Framework Agreement, whereby Uni-President China Holdings agreed to purchase and the Company agreed to supply the Group’s products (including but not limited to different kinds of juice concentrate) and provide the warehousing and other services relating to the purchase to Uni-President China Holdings for the three years ending 31 December 2024.

As at the date of signing the President Product Purchase Framework Agreement, Uni-President China Holdings was a non-wholly owned subsidiary of Uni-President Enterprises Corp. (“Uni-President Enterprises”), a Shareholder of the Company holding 63,746,040 A Shares and 237,000 H Shares of the Company, representing approximately 17.42% of the total issued share capital of the Company. Under the Hong Kong Listing Rules, Uni-President China Holdings was a connected person of the Company. Therefore, the transactions contemplated under the President Product Purchase Framework Agreement entered into between the Company and Uni-President China Holdings constitute continuing connected transactions of the Company. Moreover, in accordance with requirements of the Shanghai Listing Rules, the transactions contemplated under the President Product Purchase Framework Agreement are considered as daily related party transactions and are governed by the Shanghai Listing Rules.

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 sale of products and provision of warehousing services to Uni-President China Holdings for the period commencing on 1 January 2022 and expiring on 31 December 2024 was set as RMB21,000,000, mainly based on the following factors: (i) the historical transaction amounts with President China Investment for the sales of products and provision of related warehousing service and the expected procurement demand of Uni-President China Holdings from 2022 to 2024; and (ii) the expectation that the prevailing market prices for the sales of the Company’s products will remain stable. The actual amount of sale of products and provision of warehousing services by the Group to Uni-President China Holdings for the year ended 31 December 2022 was RMB20,507,637 and was subject to annual review requirements under the Hong Kong Listing Rules.

# Report of Directors

Since the highest applicable percentage ratio (other than the profit ratio) for the annual caps under the President Product Purchase Framework Agreement is higher than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions contemplated under the President Product Purchase Framework Agreement are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

For further details regarding the President Product Purchase Framework Agreement, please refer to the announcement of the Company dated 31 December 2021.

## **II. CCT/related party transactions with Yantai Yitong**

The Company and Yantai Yitong Biological Energy Co., Ltd.\* (烟台億通生物能源有限公司) ("Yantai Yitong") agreed to enter into the Yitong Product Purchase Framework Agreement on 30 December 2021, whereby the Company agreed to purchase and Yantai Yitong agreed to supply the products mainly used for production purpose of the Group (including but not limited to electricity and steam) for the three years ending 31 December 2024.

As at the date of signing the Yitong Product Purchase Framework Agreement, Yantai Yitong was owned as to 64.69% and 33.33% by Shangdong 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") respectively. Yantai Yitong was thus an associate of Andre Group and Hongan International. Under the Hong Kong Listing Rules, Yantai Yitong was a connected person of the Company. Therefore, the transactions contemplated under the Yitong Product Purchase Framework Agreement entered into between the Company and Yantai Yitong constitute continuing connected transactions of the Company. Moreover, in accordance with requirements of the Shanghai Listing Rules, the transactions contemplated under the Yitong Product Purchase Framework Agreement are considered as daily related party transactions and are governed by the Shanghai Listing Rules.

Prices of products to be purchased by the Group shall be determined according to the market price.

The proposed annual caps under the Yitong Product Purchase Framework Agreement for the three years ending 31 December 2024 were RMB30,000,000 and were set based on the following factors: (i) the estimated amount of transactions from 2022 to 2024 with reference to the historical transaction volume; and (ii) the estimated demand by the Group on Yantai Yitong's products with reference to the prospective consumption of such products of Yantai Yitong by the manufacturing workshops of the Group at full production capacity. The actual amount of purchase for the year ended 31 December 2022 was RMB19,717,371 and was subject to annual review requirements under the Hong Kong Listing Rules.

Since the highest applicable percentage ratio (other than the profit ratio) for the annual caps under the Yitong Product Purchase Framework Agreement is higher than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions contemplated under the Yitong Product Purchase Framework Agreement are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

*For identification purpose only*

For further details regarding the Yitong Product Purchase Framework Agreement, please refer to the announcement of the Company dated 31 December 2021.

### **III. CCT/related party transactions 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 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 period from 1 January 2020 to 31 December 2021.

As the Ton Yi Renewal Agreement expired on 31 December 2021, the Company and Ton Yi agreed to further renew the transaction terms, and entered into the New Ton Yi Product Purchase Framework Agreement on 30 December 2021, whereby Ton Yi agreed to purchase and the Company agreed to supply the Group's products (including but not limited to different kinds of juice concentrate) and provide the warehousing and other services relating to the purchase to Ton Yi for the three years ending 31 December 2024.

As at the date of signing the New Ton Yi Product Purchase Framework Agreement, Ton Yi was a non-wholly owned subsidiary of Uni-President Enterprises, a Shareholder of the Company holding 63,746,040 A Shares and 237,000 H Shares of the Company, representing approximately 17.42% of the total issued share capital of the Company. Under the Hong Kong Listing Rules, Ton Yi was a connected person of the Company. Therefore, the transactions contemplated under the New Ton Yi Product Purchase Framework Agreement entered into between the Company and Ton Yi constitute continuing connected transactions of the Company. Moreover, in accordance with requirements of the Shanghai Listing Rules, the transactions contemplated under the New Ton Yi Product Purchase Framework Agreement are considered as daily related party transactions and are governed by the Shanghai Listing Rules.

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

*For identification purpose only*

# Report of Directors

The annual cap of the sale of products and provision of warehousing services to Ton Yi for the period commencing on 1 January 2022 and expiring on 31 December 2024 was set as RMB21,000,000, mainly based on the following factors: (i) the historical transaction amounts with Ton Yi for the sales of products and provision of related warehousing service and the expected procurement demand of Ton Yi from 2022 to 2024; and (ii) the expectation that the prevailing market prices for the sales of the Company's products will remain stable. The actual amount of sale of products and provision of warehousing services by the Group to Ton for the year ended 31 December 2022 was RMB12,265,552 and was subject to annual review requirements under the Hong Kong Listing Rules.

Since the highest applicable percentage ratio (other than the profit ratio) for the annual caps under the New Ton Yi Product Purchase Framework Agreement is higher than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions contemplated under the New Ton Yi Product Purchase Framework Agreement are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

For further details regarding the New Ton Yi Product Purchase Framework Agreement, please refer to the announcement of the Company dated 31 December 2021.

#### **IV. CCT/related party transactions 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 ended 31 December 2021.

On 30 March 2021, the Company entered into a supplemental agreement ("Supplemental Agreement") with Andre Construction and Installation to revise annual cap for the year ended 31 December 2021 in relation to the transactions under the Construction and Installation Services Framework Agreement to RMB40,000,000.

As the Construction and Installation Services Framework Agreement expired on 31 December 2021, the Company and Andre Construction and Installation agreed to renew the transaction terms, and entered into the New Construction and Installation Services Framework Agreement on 30 December 2021, whereby Andre Construction and Installation agreed to provide construction and installation services to the Company for the three years ending 31 December 2024.

\* For identification purpose only

## Report of Directors

As at the date of signing the New Construction and Installation Services Framework Agreement, Andre Construction and Installation was owned as to 51% and 49% by Andre Group and Hongan International, two substantial Shareholders of the Company, Andre Construction and Installation was thus associates of Andre Group and Hongan International. Under the Hong Kong Listing Rules, Andre Construction and Installation was a connected person of the Company. Therefore, the transactions contemplated under the New Construction and Installation Services Framework Agreement entered into between the Company and Andre Construction and Installation constitute continuing connected transactions of the Company. Moreover, in accordance with requirements of the Shanghai Listing Rules, the transactions contemplated under the New Construction and Installation Services Framework Agreement are considered as daily related party transactions and are governed by the Shanghai Listing Rules.

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

The annual cap of the service fees payable by the Group for the construction and installation services provided by Andre Construction and Installation for the period commencing on 1 January 2022 and expiring on 31 December 2024 was set as RMB30,000,000, mainly based on the following factors: (i) the increase in the demand for construction and installation services as compared to the historical transaction amounts due to the establishment of production line project of Dalian Andre Juice Co., Ltd., a subsidiary of the Company, and taking into account the repair and renovation of the manufacturing plants and the construction of additional cold storage of certain subsidiaries of the Company; and (ii) the prevailing market prices of construction and installation services. The actual purchase for the year ended 31 December 2022 was RMB18,887,385 and was subject to annual review requirements under the Hong Kong Listing Rules.

Since the highest applicable percentage ratio (other than the profit ratio) for the annual caps under the New Construction and Installation Services Framework Agreement is higher than 0.1% but less than 5%, in accordance with requirements of the Hong Kong Listing Rules, the continuing connected transactions contemplated under the New Construction and Installation Services Framework Agreement are only subject to the reporting and announcement requirements under the Hong Kong Listing Rules and are exempted from the independent Shareholders' approval requirement.

For further details regarding the New Construction and Installation Services Framework Agreement, please refer to the announcement of the Company dated 31 December 2021.



## Report of Directors

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 related party transactions under the Shanghai Listing Rules**

### ***Related party transactions with Mitsui***

For the year ended 31 December 2022, interests of the Company held by Mitsui & Co., Ltd. (“Mitsui”) was less than 10%, for which it did not constitute a connected person of the Company under the Hong Kong Listing Rules. However, Mitsui and its subsidiaries were still considered as related parties of the Company under Rule 6.3.3(4) of the Shanghai Listing Rules, and therefore, the Group’s sales to Mitsui and its subsidiaries were daily related party 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.

At the annual general meeting held on 26 May 2022, the Shareholders considered and approved the estimated maximum daily related party transaction amount of RMB90,000,000 for the Group’s sales to Mitsui and its subsidiaries for the year ended 31 December 2022. For the year ended 31 December 2022, the Group’s actual amount for sales of juice products to Mitsui and its subsidiaries was approximately RMB76,365,369.

### ***Related party transactions with Andre Pectin***

For the year ended 31 December 2022, a substantial 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 a related party of the Company under the Shanghai Listing Rules. Hence, the Group’s sales of pomace and juice products to Andre Pectin constitutes the daily related-party transactions of the Company under the Shanghai Listing Rules.

On 30 December 2021, the Company and Andre Pectin agreed to entered into the New Pectin Product Purchase Framework Agreement, whereby Andre Pectin agreed to purchase and the Company agreed to supply pomace and juice products for the year ended 31 December 2022. For the year ended 31 December 2022, the annual cap of sale of products to Andre Pectin was RMB50,000,000 while the Group’s actual amount for sales of pomace and juice products to Andre Pectin was approximately RMB19,022,345.

# Report of Directors

For further details regarding the New Pectin Product Purchase Framework Agreement, please refer to the announcement of the Company dated 31 December 2021.

## Related Party Transactions

During the year ended 31 December 2022, the Group entered into transactions with related parties as set out in Note XI to the Financial Statements. Apart from the items disclosed in the section “Connected Transactions/ Related Party 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. The Company has complied with the disclosure requirements in accordance with 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 transaction, arrangement or contract of significance to the business of the Group to which the Company was a party in 2022.

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

As at 31 December 2022, 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)	28.24% (L)
Wang Yanhui (Note 3)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 4)	Personal	7.39% (L)	5.59% (L)
Zhang Hui (Note 5)	A Shares	20,000,000 (L)	Interest of controlled corporations (Note 6)	Personal	7.39% (L)	5.59% (L)
Liu Tsung-Yi	H Shares	195,400 (L)	Beneficial owner	Personal	0.22% (L)	0.05% (L)

# Report of Directors

Notes:

The letter “L” denotes a long position.

- (1) As at 31 December 2022, Mr. Wang An, a Director, controlled (a) 90% interest in China Pingan Investment Holdings Limited, which held 46,351,961 A Shares, representing 12.96% 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 15.28% 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 2022, Mr. Wang Yanhui, a Director, acted as the general partner and held 20% interest in Yantai Xingan Investment Centre (Limited Partnership) (煙台興安投資中心(有限合夥)), which held 20,000,000 A Shares, representing 5.59% 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) (煙台興安投資中心(有限合夥)).
- (5) As at 31 December 2022, Mr. Zhang Hui, a Director, held 36% interest in Yantai Xingan Investment Centre (Limited Partnership) (煙台興安投資中心(有限合夥)), which held 20,000,000 A Shares, representing 5.59% 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) (煙台興安投資中心(有限合夥)).

*For identification purpose only*

# Report of Directors

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

As at 31 December 2022, 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)	12.96% (L)
Shandong Andre Group Co., Ltd.* (山東安德利集團有限公司)	A Shares	54,658,540 (L) (Note 2) (Note 11)	Beneficial owner	Corporate	20.20% (L)	15.28% (L)
Donghua Fruit Industry Co., Ltd.	A Shares	65,779,459 (L) (Note 3) (Note 11)	Beneficial owner	Corporate	24.31% (L)	18.39% (L)
Uni-President Enterprises Corp.	A Shares	63,746,040 (L) (Note 4)	Interests of controlled corporations (Note 5)	Corporate	23.56% (L)	17.82% (L)
	H Shares	237,000 (L)	Beneficial owner (Note 6)	Corporate	0.27% (L)	0.07% (L)
Mitsui & Co., Ltd.	H Shares	18,340,000 (L)	Beneficial owner	Corporate	21.04% (L)	5.13% (L)
Hongan International Investment Co. Ltd.	A Shares	65,779,459 (L)	Interest of controlled corporations	Corporate	24.31% (L)	18.39% (L)
	H Shares	17,222,880 (L) (Note 11)	Beneficial owner	Corporate	19.76% (L)	4.81% (L)
Zhang Shaoxia	A Shares	101,010,501 (L)	Interest of spouse (Note 7)	Personal	37.34% (L)	28.24% (L)

\* For identification purpose only

# Report of Directors

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
Wang Meng	A Shares	65,779,459 (L)	Interest of controlled corporations (Note 8)	Personal	24.31% (L)	18.39% (L)
	H Shares	17,222,880 (L)	Interest of controlled corporations (Note 9)	Personal	19.76% (L)	4.81% (L)
Yantai Xingan Investment Centre (Limited Partnership)	A Shares	20,000,000 (L) (Note 11)	Beneficial Owner	Corporate	7.39% (L)	5.59% (L)
Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Beneficial owner	Corporate	12.62% (L)	3.08% (L)
Shenzhen Tiandi Win-Win Investment Management Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	12.62% (L)	3.08% (L)
Tiandi Yihao Beverage Co., Limited	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Corporate	12.62% (L)	3.08% (L)
Chen Sheng	H Shares	11,000,000 (L) (Note 10)	Interest of controlled corporations	Personal	12.62% (L)	3.08% (L)

# Report of Directors

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 11.86% 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 5.96% of the total issued share capital of the Company, were held directly by Guangzhou President Enterprises Co., Ltd. (廣州統一企業有限公司)
- (6) These H Shares are beneficially held by Uni-President China Holdings Ltd..
- (7) 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.

\* 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 2022.

## 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 60 days before the date of the Board meeting to approve the Company’s 2022 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 2022.

## 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 Gong Fan, who is the chairman of the Audit and Review Committee, Wang Yan and Li Yao.



# Report of Directors

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 2021. The Audit and Review Committee held four meetings during the year with all the then existing members present.

## Compliance with Relevant Laws and Regulations

During the year ended 31 December 2022, 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.

In the past three years, the Company's auditor remained unchanged.

By Order of the Board

**Yantai North Andre Juice Co., Ltd.\***

**Wang An**

*Chairman*

31 March 2023

Yantai, the PRC

\* For identification purpose only

# Report of the Supervisory Committee

To the Shareholders:

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 2022 and has great confidence in the future prospect of the Company.

By Order of the Supervisory Committee  
**Yantai North Andre Juice Co., Ltd.\***  
**Meng Xiang Lin**

31 March 2023

\* For identification purpose only

# Independent Auditor's Report

Dahua Shen Zi [2023] No. 001506

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

## I. Audit Opinion

We have audited the financial statements of Yantai North Andre Juice Co., Ltd, (hereinafter referred to as "ANDRE JUICE"), including the consolidated and parent balance sheet as at 31 December 2022, the consolidated and parent income statement for the year 2022, the consolidated and parent cash flow statement, the consolidated and parent statement of changes in shareholders' equity and notes to the relevant financial statements.

In our opinion, the appended financial statements have been prepared in all material respects in accordance with the requirements of the Accounting Standards for Business Enterprises and give a fair view of the consolidated and parent financial position of ANDRE JUICE as at 31 December 2022 and the consolidated and parent results of operations and cash flows for the year 2022.

## II. Basis for Audit Opinion

We conducted our audit in accordance with CICPA Standards on Auditing ("CSAs"). In 'IV. Certified Public Accountant's Responsibilities for the Audit of Financial Statements' of this report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from ANDRE JUICE and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of 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.

We identified the following as key audit matters that need to be communicated in the audit report.

1. Loss allowance for accounts receivable
2. Income recognition
3. Inventory recognition

# Independent Auditor's Report

## (I) Loss allowance for accounts receivable

### 1. *Event description*

Please refer to Note III (XII) and Note V, Note 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 RMB237,813,648.40 and the loss allowance of accounts receivable was RMB17,376,812.53. The accounts receivable of ANDRE JUICE was mainly arose from sales of condensed fruit juice and related products.

According to the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, the management adopts the expected credit loss model to measure the impairment of financial assets. The management's estimate of expected credit losses will take into account all reasonable and evidence-based information, including the Group's historical default rate and other specific factors (such as customer type, aging of closing balances, historical collections, and bad debt write-offs), and consider forward-looking information in conjunction with factors such as the expected macroeconomic environment. The estimation of the expected credit loss rate involves significant management judgment and estimation, with significant estimation uncertainty, and the setting of various parameters requires statistics and analysis based on more complex historical data.

We determine that accounts receivable is the key matter due to the fact that assessment of the possibility of recovery of accounts receivable balance involving significant management judgment and it's important for consolidated financial statements.

### 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;

# Independent Auditor's Report

- (5) Inspecting, on a sample basis, cash receipts from debtors subsequent to the reporting date relating to trade receivable balances as at 31 December 2022.
- (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 III (XXVIII) and Note V, Note 32 to the financial statements for accounting policies and accounting estimates of revenue and carrying amounts. In 2022, the operating income of ANDRE JUICE was RMB1,065,429,309.28, representing an increase of 22.24% 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 implemented 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;
- (4) Confirm the authenticity and accuracy of the operating income by sending confirmation letter to the customers;
- (5) 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;
- (6) Implement cut-off tests for different business models to determine whether revenue is recognised in the appropriate period;
- (7) 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 revenue and costs of ANDRE JUICE meets the relevant requirements of the Accounting Standards for Business Enterprises.

# Independent Auditor's Report

## (III) Recognition of inventories

### 1. *Description of the matter.*

Please refer to Note III (XV) and Note V, Note 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 RMB550,820,147.00, accounting for 21.11% 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 commodity prices of related party transactions are fair; No abnormality is found.
- (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 or not and no abnormality is found;

# Independent Auditor's Report

- (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. Other Information

The management of ANDRE JUICE is responsible for other information. Other information includes the information covered in the 2022 annual report, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, and we will not issue any form of authentication conclusion on other information.

In combination with our audit of the financial statements, our responsibility is to read other information and consider whether other information is materially inconsistent with the financial statements or the information we understand in the audit process, or there seems to be material misstatement.

Based on the work we have performed, if we determine that there is a material misstatement in other information, we should report that fact. In this regard, we have nothing to report.

# Independent Auditor's Report

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

The management of ANDRE JUICE 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, the management of ANDRE JUICE 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 JUICE or to cease operations, or has no realistic alternative but to do so.

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

## VI. 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.



# Independent Auditor's Report

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 JUICE'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 JUICE 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 JUICE 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)**

**Zili Lin**

**Beijing, China**

*Certified Public Accountants*

**Renhuan Yuan**

31 March 2023

# Consolidated Balance Sheet

As at 31 December 2022  
(Expressed in Renminbi Yuan)

Assets	Note	Closing Balance	Opening Balance
Current assets:			
Cash at bank and on hand	V. 1	<b>234,342,437.81</b>	380,359,588.27
Financial assets held for trading	V. 2	<b>581,808,314.35</b>	316,218,242.00
Bills receivable	V. 3	<b>4,662,800.00</b>	4,558,301.00
Accounts receivable	V. 4	<b>220,436,835.87</b>	199,020,317.46
Prepayments	V. 5	<b>619,044.11</b>	2,130,015.84
Other receivables	V. 6	<b>26,795,468.30</b>	819,188.16
Inventories	V. 7	<b>550,820,147.00</b>	635,542,840.40
Other current assets	V. 8	<b>202,391,536.17</b>	139,860,951.29
		-----	-----
<b>Total current assets</b>		<b>1,821,876,583.61</b>	1,678,509,444.42
Non-current assets:			
Long-term equity investment	V. 9	<b>11,927,635.75</b>	–
Other non-current financial assets	V. 10	<b>6,000,000.00</b>	6,000,000.00
Fixed Assets	V. 11	<b>674,782,397.88</b>	672,506,825.39
Construction in progress	V. 12	<b>56,637.17</b>	1,299,652.97
Intangible assets	V. 13	<b>88,963,083.71</b>	99,748,533.14
Goodwill	V. 14	<b>5,586,976.43</b>	5,586,976.43
Deferred income tax assets	V. 15	–	–
Other non-current assets	V. 16	<b>620,045.30</b>	460,166.52
		-----	-----
<b>Total non-current assets</b>		<b>787,936,776.24</b>	785,602,154.45
<b>Total assets</b>		<b>2,609,813,359.85</b>	2,464,111,598.87
		=====	=====

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

# Consolidated Balance Sheet

As at 31 December 2022

(Expressed in Renminbi Yuan)

Liabilities and shareholders' equity	Note	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings	V. 17	<b>130,089,680.56</b>	100,058,819.45
Bills payable	V. 18	–	10,000,000.00
Accounts payable	V. 19	<b>60,082,606.79</b>	95,818,820.60
Contract liabilities	V. 20	<b>2,750,116.53</b>	2,795,195.31
Employee benefits payable	V. 21	<b>18,099,227.26</b>	19,906,843.21
Taxes payable	V. 22	<b>19,667,063.03</b>	5,163,669.26
Other payables	V. 23	<b>1,485,027.30</b>	2,817,621.14
Other current liabilities	V. 24	<b>295,231.42</b>	363,375.35
		-----	-----
<b>Total current liabilities</b>		<b>232,468,952.89</b>	236,924,344.32
		-----	-----
Non-current liabilities:			
Long-term payables	V. 25	<b>1,655,590.00</b>	1,618,557.00
Deferred income	V. 26	<b>6,279,000.00</b>	–
		-----	-----
<b>Total non-current liabilities</b>		<b>7,934,590.00</b>	1,618,557.00
		-----	-----
<b>Total liabilities</b>		<b>240,403,542.89</b>	238,542,901.32
		=====	=====
Shareholders' equity:			
Share capital	V. 27	<b>357,700,000.00</b>	367,300,000.00
Capital reserve	V. 28	<b>4,636,889.39</b>	51,532,007.12
Less: treasury shares	V. 29	–	23,872,408.21
Surplus reserve	V. 30	<b>150,715,498.67</b>	141,408,306.24
Retained earnings	V. 31	<b>1,856,357,428.90</b>	1,689,200,792.40
		-----	-----
<b>Total equity attributable to shareholders of the Company</b>		<b>2,369,409,816.96</b>	2,225,568,697.55
		-----	-----
Non-controlling interests		–	–
		-----	-----
<b>Total shareholders' equity</b>		<b>2,369,409,816.96</b>	2,225,568,697.55
		-----	-----
<b>Total liabilities and shareholders' equity</b>		<b>2,609,813,359.85</b>	2,464,111,598.87
		=====	=====

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 2022  
(Expressed in Renminbi Yuan)

<b>Assets</b>	<i>Note</i>	<b>Closing Balance</b>	Opening Balance
Current assets:			
Cash at bank and on hand		<b>196,613,912.97</b>	283,052,753.95
Financial assets held for trading		<b>570,282,501.91</b>	304,867,269.40
Bills receivable		<b>4,662,800.00</b>	4,558,301.00
Accounts receivable	XIV. 1	<b>213,705,508.64</b>	164,569,725.51
Prepayments		<b>100,157.21</b>	407,423.99
Other receivables	XIV. 2	<b>114,655,303.99</b>	161,316,220.58
Inventories		<b>61,074,150.01</b>	96,783,555.19
Other current assets		<b>198,898,416.91</b>	131,441,284.36
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total current assets</b>		<b>1,359,992,751.64</b>	1,146,996,533.98
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
Non-current assets:			
Long-term equity investments	XIV. 3	<b>446,342,158.14</b>	429,794,824.28
Other non-current financial assets		<b>6,000,000.00</b>	6,000,000.00
Fixed assets		<b>114,619,799.95</b>	123,035,084.61
Intangible assets		<b>26,439,501.11</b>	27,392,759.03
Other non-current assets		<b>–</b>	114,341.88
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total non-current assets</b>		<b>593,401,459.20</b>	586,337,009.80
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
<b>Total assets</b>		<b>1,953,394,210.84</b>	1,733,333,543.78
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

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

# Company Balance Sheet

As at 31 December 2022

(Expressed in Renminbi Yuan)

Liabilities and shareholders' equity	Note	Closing Balance	Opening Balance
Current liabilities			
Short-term borrowings		130,089,680.56	50,058,819.45
Bills payable		-	60,000,000.00
Accounts payable		43,961,307.75	73,927,027.02
Contract liabilities		645,549.92	1,465,610.77
Employee benefits payable		3,064,638.43	2,714,699.79
Taxes payable		2,644,427.60	612,587.02
Other payables		604,039,073.11	422,547,873.18
Other current liabilities		83,921.50	190,529.40
		-----	-----
<b>Total current liabilities</b>		<b>784,528,598.87</b>	611,517,146.63
Non-current liabilities:			
Deferred income		4,485,000.00	-
		-----	-----
<b>Total non-current liabilities</b>		<b>4,485,000.00</b>	-
		-----	-----
<b>Total liabilities</b>		<b>789,013,598.87</b>	611,517,146.63
		=====	=====
Shareholders' equity:			
Share capital		357,700,000.00	367,300,000.00
Capital reserve		30,879,587.24	77,774,704.97
Less: treasury shares		-	23,872,408.21
Surplus reserve		150,715,498.67	141,408,306.24
Retained earnings		625,085,526.06	559,205,794.15
		-----	-----
<b>Total equity attributable to shareholders of the Company</b>		<b>1,164,380,611.97</b>	1,121,816,397.15
		-----	-----
<b>Total liabilities and shareholders' equity</b>		<b>1,953,394,210.84</b>	1,733,333,543.78
		=====	=====

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 2022

(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
<b>I. Operating income</b>	V. 32	<b>1,065,429,309.28</b>	871,587,320.36
Less: Operating costs	V. 32	<b>852,294,128.44</b>	691,914,568.76
Taxes and surcharges	V. 33	<b>13,704,760.14</b>	10,877,738.20
Selling and distribution expenses	V. 34	<b>4,248,926.54</b>	3,066,264.46
General and administrative expenses	V. 35	<b>41,140,551.58</b>	46,412,962.00
Research and development expenses	V. 36	<b>17,939,967.61</b>	12,430,586.65
Financial expenses	V. 37	<b>-48,655,828.43</b>	7,062,032.85
Including: Interest expenses		<b>1,354,041.17</b>	534,324.67
Interest income		<b>6,652,922.26</b>	4,182,091.34
Add: Other income	V. 38	<b>9,071,997.83</b>	1,190,178.41
Investment income (“-” for loss)	V. 39	<b>45,645,831.78</b>	49,657,235.96
Profits arising from changes in fair value (“-” for loss)	V. 40	<b>-23,631,653.19</b>	5,229,663.42
Credit losses (“-” for loss)	V. 41	<b>-9,796,311.24</b>	4,435,576.05
Impairment losses (“-” for loss)	V. 42	<b>-8,802,178.61</b>	-236,979.91
Gains/(losses) from asset disposals (“-” for loss)	V. 43	<b>2,568.45</b>	248,459.12
		<hr/>	<hr/>
<b>II. Operating profit (“-” for loss)</b>		<b>197,247,058.42</b>	160,347,300.49
Add: Non-operating income	V. 44	<b>24,624.79</b>	7,442.43
Less: Non-operating expenses	V. 45	<b>49,800.62</b>	466,201.00
		<hr/>	<hr/>
<b>III. Profit before taxation (“-” for total loss)</b>		<b>197,221,882.59</b>	159,888,541.92
Less: Income tax expenses	V. 46	<b>2,873,053.66</b>	-126,442.99
		<hr/>	<hr/>
<b>IV. Net profit (“-” for net loss)</b>		<b>194,348,828.93</b>	160,014,984.91
Classified by continuity of operations (“-” for net loss)			
Net profit from continuing operations		<b>194,348,828.93</b>	160,014,984.91
Classified by ownership of the equity (“-” for net loss)			
Attributable to shareholders of the Company		<b>194,348,828.93</b>	160,014,984.91
<b>V. Net amount after tax of other comprehensive income</b>		<b>-</b>	-
<b>VI. Total comprehensive income</b>		<b>194,348,828.93</b>	160,014,984.91
Attributable to shareholders of the Company		<b>194,348,828.93</b>	160,014,984.91
Attributable to non-controlling interests		<b>-</b>	-
<b>VII. Earnings per share:</b>			
Basic earnings per share		<b>0.54</b>	0.43
Diluted earnings per share		<b>0.54</b>	0.43

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 2022

(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
<b>I. Operating income</b>	XIV. 4	<b>783,648,112.45</b>	628,682,910.52
Less: Operating costs	XIV. 4	<b>752,143,591.12</b>	605,819,452.31
Taxes and surcharges		<b>3,767,659.09</b>	3,166,888.75
Selling and distribution expenses		<b>4,246,531.55</b>	2,851,568.84
General and administrative expenses		<b>14,041,210.77</b>	13,251,210.65
Research and development expenses		<b>9,196,936.37</b>	5,193,003.29
Financial expenses		<b>-35,354,860.29</b>	4,686,189.28
Including: Interest expenses		<b>1,087,964.67</b>	497,291.67
Interest income		<b>6,111,401.09</b>	4,078,145.42
Add: Other income		<b>3,464,378.00</b>	637,453.92
Investment income (“-” for loss)	XIV. 5	<b>96,329,344.04</b>	50,005,885.96
Profits arising from changes in fair value (“-” for loss)		<b>-23,556,493.03</b>	5,128,690.82
Credit losses (“-” for loss)		<b>-8,827,324.03</b>	-984,265.32
Impairment losses (“-” for loss)		<b>-7,934,372.24</b>	-249,098.00
Gains/(losses) from asset disposals (“-” for loss)		<b>2,568.45</b>	-6,340.48
		<hr/>	<hr/>
<b>II. Operating profit (“-” for loss)</b>		<b>95,085,145.03</b>	48,246,924.30
		<hr/>	<hr/>
Add: Non-operating income		<b>22,623.18</b>	532.67
Less: Non-operating expenses		<b>25,843.87</b>	24,921.72
		<hr/>	<hr/>
<b>III. Profit before taxation (“-” for total loss)</b>		<b>95,081,924.34</b>	48,222,535.25
		<hr/>	<hr/>
Less: Income tax expenses		<b>2,010,000.00</b>	-
		<hr/>	<hr/>
<b>IV. Net profit (“-” for net loss)</b>		<b>93,071,924.34</b>	48,222,535.25
		<hr/>	<hr/>
<b>V. Total comprehensive income</b>		<b>93,071,924.34</b>	48,222,535.25
		<hr/> <hr/>	<hr/> <hr/>

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 Statement

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
<b>I. Cash flows from operating activities:</b>			
Proceeds from sale of goods and rendering of services		<b>1,173,967,601.68</b>	931,265,075.21
Refund of taxes and surcharges		<b>78,057,986.83</b>	53,823,707.74
Proceeds received relating to other operating activities	V. 47	<b>21,812,922.07</b>	14,425,463.02
Sub-total of cash inflows		<b>1,273,838,510.58</b>	999,514,245.97
Payments for goods and services		<b>907,713,036.21</b>	686,273,621.08
Payments to and for employees		<b>67,867,848.54</b>	66,472,533.21
Payments of various taxes		<b>36,212,252.62</b>	25,941,561.75
Payments for other operating activities	V. 47	<b>21,313,119.89</b>	26,805,452.46
Sub-total of cash outflows		<b>1,033,106,257.26</b>	805,493,168.50
<b>Net cash flows from operating activities</b>		<b>240,732,253.32</b>	194,021,077.47
<b>II. Cash flows from investing activities:</b>			
Proceeds from disposal of investments		<b>4,987,198,191.68</b>	1,770,394,086.31
Investment returns received		<b>45,645,831.78</b>	44,575,550.63
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets		<b>42,130.15</b>	3,677,806.18
Net proceeds from disposal of subsidiaries and other operating units		<b>11,198,612.19</b>	–
Proceeds from other investing activities	V. 47	<b>6,312,998.04</b>	3,987,137.71
Sub-total of cash inflows		<b>5,050,397,763.84</b>	1,822,634,580.83
Payments for acquisition of fixed assets, intangible assets and other long-term assets		<b>55,441,417.94</b>	74,706,269.19
Payments for acquisition of investments		<b>5,252,535,492.56</b>	1,814,146,193.61
Payments for other investing activities		<b>120,000,000.00</b>	–
Sub-total of cash outflows		<b>5,427,976,910.50</b>	1,888,852,462.80
<b>Net cash flows from investing activities</b>		<b>-377,579,146.66</b>	-66,217,881.97

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



# Consolidated Cash Flow Statement

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Note	Current Period	Prior Period
<b>III. Cash flows from financing activities:</b>			
Proceeds from investments		–	–
Proceeds from borrowings		<b>80,000,000.00</b>	100,000,000.00
Proceeds from other financing activities	V. 47	<b>50,000,000.00</b>	9,651,350.00
		<u>130,000,000.00</u>	<u>109,651,350.00</u>
Sub-total of cash inflows		<b>130,000,000.00</b>	109,651,350.00
		<u>130,000,000.00</u>	<u>109,651,350.00</u>
Payments for borrowings		<b>50,000,000.00</b>	–
Payments for distribution of dividends, profits and for interest expenses		<b>19,208,180.06</b>	18,803,472.22
Payments for other financing activities	V. 47	<b>93,914,876.19</b>	25,762,755.43
		<u>163,123,056.25</u>	<u>44,566,227.65</u>
Sub-total of cash outflows		<b>163,123,056.25</b>	44,566,227.65
		<u>163,123,056.25</u>	<u>44,566,227.65</u>
<b>Net cash outflow from financing activities</b>		<b>-33,123,056.25</b>	65,085,122.35
		<u>-33,123,056.25</u>	<u>65,085,122.35</u>
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>			
		<b>19,691,440.78</b>	-6,135,515.52
		<u>19,691,440.78</u>	<u>-6,135,515.52</u>
<b>V. Net (decrease)/increase in cash and cash Equivalents</b>			
		<b>-150,278,508.81</b>	186,752,802.33
		<u>-150,278,508.81</u>	<u>186,752,802.33</u>
Add: Cash and cash equivalents at the beginning of the year		<b>374,620,946.62</b>	187,868,144.29
		<u>374,620,946.62</u>	<u>187,868,144.29</u>
<b>VI. Cash and cash equivalents at the end of the year</b>		<b>224,342,437.81</b>	374,620,946.62
		<u>224,342,437.81</u>	<u>374,620,946.62</u>

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 2022

(Expressed in Renminbi Yuan)

Items	Current Period	Prior Period
<b>I. Cash flows from operating activities:</b>		
Proceeds from sale of goods and rendering of services	<b>786,375,067.12</b>	584,255,612.98
Refund of taxes and surcharges	<b>66,869,826.66</b>	37,116,933.66
Proceeds received relating to other operating activities	<b>27,372,951.92</b>	14,867,127.58
	<hr/>	<hr/>
Sub-total of cash inflows	<b>880,617,845.70</b>	636,239,674.22
	<hr/>	<hr/>
Payments for goods and services	<b>825,768,092.01</b>	580,128,983.78
Payments to and for employees	<b>17,199,035.79</b>	15,475,499.29
Payments of various taxes	<b>3,805,222.67</b>	3,233,682.84
Payments for other operating activities	<b>34,030,955.41</b>	9,960,825.39
	<hr/>	<hr/>
Sub-total of cash outflows	<b>880,803,305.88</b>	608,798,991.30
	<hr/>	<hr/>
<b>Net cash flows from operating activities</b>	<b>-185,460.18</b>	27,440,682.92
	<hr/>	<hr/>
<b>II. Cash flows from investing activities:</b>		
Proceeds from disposal of investments	<b>4,987,373,031.52</b>	1,770,394,086.31
Investment returns received	<b>88,263,612.49</b>	44,575,550.63
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	<b>10,476,447.90</b>	4,318,525.67
Net proceeds from disposal of subsidiaries and other operating units	<b>18,650,000.00</b>	–
Proceeds from other investing activities	<b>234,080,913.35</b>	87,180,490.52
	<hr/>	<hr/>
Sub-total of cash inflows	<b>5,338,844,005.26</b>	1,906,468,653.13
	<hr/>	<hr/>
Payments for acquisition of fixed assets, intangible assets and other long-term assets	<b>6,192,125.65</b>	8,763,174.12
Payments for acquisition of investments	<b>5,316,534,179.23</b>	1,802,896,193.61
Payments for other investing activities	<b>100,000,000.00</b>	–
	<hr/>	<hr/>
Sub-total of cash outflows	<b>5,422,726,304.88</b>	1,811,659,367.73
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>-83,882,299.62</b>	94,809,285.40
	<hr/>	<hr/>

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

# Company Cash Flow Statement

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Current Period	Prior Period
<b>III. Cash flows from financing activities</b>		
Proceeds from investments	-	-
Proceeds from borrowings	<b>130,000,000.00</b>	50,000,000.00
Sub-total of cash inflows	<b>130,000,000.00</b>	50,000,000.00
Payments for borrowings	<b>50,000,000.00</b>	-
Payments for distribution of dividends, profits and for interest expenses	<b>18,942,103.56</b>	18,803,472.22
Payments for other financing activities	<b>83,914,876.19</b>	25,762,755.43
Sub-total of cash outflows	<b>152,856,979.75</b>	44,566,227.65
<b>Net cash outflow from financing activities</b>	<b>-22,856,979.75</b>	5,433,772.35
<b>IV. Effect of foreign currency exchange rate changes on cash and cash equivalents</b>	<b>16,224,540.22</b>	-3,453,504.81
<b>V. Net (decrease)/increase in cash and cash Equivalents</b>	<b>-90,700,199.33</b>	124,230,235.86
Add: Cash and cash equivalents at the beginning of the year	<b>277,314,112.30</b>	153,083,876.44
<b>VI. Cash and cash equivalents at the end of the year</b>	<b>186,613,912.97</b>	277,314,112.30

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 2022

(Expressed in Renminbi Yuan)

Items	Year 2022					
	Equity attributable to parent company					
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
<b>I. Closing balance as at 31 December 2021</b>	367,300,000.00	51,532,007.12	23,872,408.21	141,408,306.24	1,689,200,792.40	2,225,568,697.55
<b>II. Opening balance as at 1 January 2022</b>	367,300,000.00	51,532,007.12	23,872,408.21	141,408,306.24	1,689,200,792.40	2,225,568,697.55
<b>III. Increases/decreases in 2022 ("-" for decreases)</b>	-9,600,000.00	-46,895,117.73	-23,872,408.21	9,307,192.43	167,156,636.50	143,841,119.41
a) Total comprehensive income	-	-	-	-	194,348,828.93	194,348,828.93
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
c) Profits distribution	-	-	-	9,307,192.43	-27,192,192.43	-17,885,000.00
i. Appropriation of surplus reserve	-	-	-	9,307,192.43	-9,307,192.43	-
ii. Distribution to owners	-	-	-	-	-17,885,000.00	-17,885,000.00
d) Others	-9,600,000.00	-46,895,117.73	-23,872,408.21	-	-	-32,622,709.52
<b>IV. Closing balance as at 31 December 2022</b>	357,700,000.00	4,636,889.39	-	150,715,498.67	1,856,357,428.90	2,369,409,816.96

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

# Consolidated Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Year 2021					
	Equity attributable to parent company					
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
<b>I. Closing balance as at 31 December 2020</b>	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
<b>II. Opening balance as at 1 January 2021</b>	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
<b>III. Increases/decreases in 2021 ("-" for decreases)</b>	-10,700,000.00	-67,259,708.11	-54,087,299.90	4,822,253.53	136,827,731.38	117,777,576.70
a) Total comprehensive income	-	-	-	-	160,014,984.91	160,014,984.91
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
i. Common stock contributed/ paid-in capital by shareholders/owners	-	-	-	-	-	-
c) Profits distribution	-	-	-	4,822,253.53	-23,187,253.53	-18,365,000.00
i. Appropriation of surplus reserve	-	-	-	4,822,253.53	-4,822,253.53	-
ii. Distribution to owners	-	-	-	-	-18,365,000.00	-18,365,000.00
d) Others	-10,700,000.00	-67,259,708.11	-54,087,299.90	-	-	-23,872,408.21
<b>IV. Closing balance as at 31 December 2021</b>	367,300,000.00	51,532,007.12	23,872,408.21	141,408,306.24	1,689,200,792.40	2,225,568,697.55

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)

# Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Year 2022					
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
I. Closing balance as at 31 December 2021	367,300,000.00	77,774,704.97	23,872,408.21	141,408,306.24	559,205,794.15	1,121,816,397.15
II. Opening balance as at 1 January 2022	<u>367,300,000.00</u>	<u>77,774,704.97</u>	<u>23,872,408.21</u>	<u>141,408,306.24</u>	<u>559,205,794.15</u>	<u>1,121,816,397.15</u>
III. Increases/decreases in 2022 ("-" for decreases)	<u>-9,600,000.00</u>	<u>-46,895,117.73</u>	<u>-23,872,408.21</u>	<u>9,307,192.43</u>	<u>65,879,731.91</u>	<u>42,564,214.82</u>
a) Total comprehensive income	-	-	-	-	93,071,924.34	93,071,924.34
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
c) Profits distribution	-	-	-	9,307,192.43	-27,192,192.43	-17,885,000.00
i. Appropriation of surplus reserve	-	-	-	9,307,192.43	-9,307,192.43	-
ii. Distribution to owners	-	-	-	-	-17,885,000.00	-17,885,000.00
d) Others	<u>-9,600,000.00</u>	<u>-46,895,117.73</u>	<u>-23,872,408.21</u>	<u>-</u>	<u>-</u>	<u>-32,622,709.52</u>
IV. Closing balance as at 31 December 2022	<u>357,700,000.00</u>	<u>30,879,587.24</u>	<u>-</u>	<u>150,715,498.67</u>	<u>625,085,526.06</u>	<u>1,164,380,611.97</u>

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

# Company Statement of Changes in Shareholders' Equity

For the year ended 31 December 2022

(Expressed in Renminbi Yuan)

Items	Year 2021					
	Share capital	Capital reserve	Less: Treasury stock	Surplus reserve	Retained earnings	Total owners' equity
<b>I. Closing balance as at 31 December 2020</b>	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
<b>II. Opening balance as at 1 January 2021</b>	<u>378,000,000.00</u>	<u>145,034,413.08</u>	<u>77,959,708.11</u>	<u>136,586,052.71</u>	<u>534,170,512.43</u>	<u>1,115,831,270.11</u>
<b>III. Increases/decreases in 2021 ("-" for decreases)</b>	<u>-10,700,000.00</u>	<u>-67,259,708.11</u>	<u>-54,087,299.90</u>	<u>4,822,253.53</u>	<u>25,035,281.72</u>	<u>5,985,127.04</u>
a) Total comprehensive income	-	-	-	-	48,222,535.25	48,222,535.25
b) Owner's contributions to and withdrawals of capital	-	-	-	-	-	-
i. Common stock contributed/paid-in capital by shareholders/owners	-	-	-	-	-	-
c) Profits distribution	-	-	-	4,822,253.53	-23,187,253.53	-18,365,000.00
i. Appropriation of surplus reserve	-	-	-	4,822,253.53	-4,822,253.53	-
ii. Distribution to owners	-	-	-	-	-18,365,000.00	-18,365,000.00
d) Others	<u>-10,700,000.00</u>	<u>-67,259,708.11</u>	<u>-54,087,299.90</u>	<u>-</u>	<u>-</u>	<u>-23,872,408.21</u>
<b>IV. Closing balance as at 31 December 2021</b>	<u><u>367,300,000.00</u></u>	<u><u>77,774,704.97</u></u>	<u><u>23,872,408.21</u></u>	<u><u>141,408,306.24</u></u>	<u><u>559,205,794.15</u></u>	<u><u>1,121,816,397.15</u></u>

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)

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## I Company status

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

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

On 14 June 2001, upon the approval of the Ministry of Commerce of the People's Republic of China (formerly the Ministry of Foreign Trade and 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 14 September 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 at 31 December 2022, the Company had a total share capital of 357,700,000 shares with a registered capital of RMB357,700,000.00. 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) Scope of consolidated financial statements

There are 10 subsidiaries included in the consolidation scope of the Company in the current period. See Note VII. Equity in other entities for details. Compared with the previous period, the number of entities included in the scope of consolidated financial statements in the current period decreased by 1. For details of the entities that changed the scope of consolidation, see Note VI. Changes in the scope of consolidation.

### (IV) Approval of financial statements

The financial statements were approved for presentation by the Board of Directors of the Company on 31 March 2023.



# Notes to the Financial Statements

*(Expressed in Renminbi Yuan unless otherwise indicated)*

## II 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.

### (III) Accounting basis and valuation principle

The accounting of the Company is based on the accrual basis. Except that some financial instruments are measured at fair value, the financial statements take historical cost as the measurement basis. If an asset is impaired, the corresponding impairment provision shall be withdrawn in accordance with relevant regulations.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III 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) Operating cycle

An operating cycle refers to the period required for a business to make initial purchase to produce goods and receive cash and cash equivalents. The Group adopts 12 months as an operating cycle, which is the classification standard of the liquidity of its asset and liability.

### (IV) 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.

### (V) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

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

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

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

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (V) 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)*

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.

### (VI) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (VI) Consolidated financial statements (cont'd)

#### 2. Consolidation procedure (cont'd)

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.

For a subsidiary acquired through a business combination under the same 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 same control, adjustments are made to their financial statements based on the fair value of net identifiable assets at the date of purchase.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (VI) Consolidated financial statements (cont'd)

#### 2. Consolidation procedure (cont'd)

##### (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 same 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 same 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (VI) Consolidated financial statements (cont'd)

#### 2. Consolidation procedure (cont'd)

##### (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.

###### 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (VI) 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 (cont'd)

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.

##### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (VII) 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.

#### 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

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

#### 2. Accounting for joint operations (cont'd)

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.

### (VIII) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (IX) 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

##### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) 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).

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

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

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.

- (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

#### 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

(1) 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).

(2) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

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.
- (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

##### (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;
- 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) Financial instruments (cont'd)

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

##### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) 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 lease receivables, the credit loss is the present value of the difference between the contract cash flow the Company should collect and the cash flow expected to collect.
- 3) 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.
- 4) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (X) 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.

### (XI) Bills receivable

The Company is responsible for See Note III/(X) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XII)Accounts receivable

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

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:

<b>Combination name</b>	<b>The basis for determining the combination</b>	<b>Accrual method</b>
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.

### (XIII)Accounts receivable financing

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

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XIV) Other receivables

See Note III/(X) 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:

<b>Combination name</b>	<b>The basis for determining the combination</b>	<b>Accrual method</b>
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: Export tax refund portfolio	Export tax refunds receivable	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..

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XV) 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 moving 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XV) 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.

### (XVI) Contract assets

If the Company has transferred the goods to the customer and has the right to receive consideration, and the right depends on factors other than the passage of time, it is recognized as a contract asset. The Company's unconditional (i.e. depends only on the passage of time) right to collect consideration from customers is listed separately as receivables.

For the determination method and accounting arrangement method of the expected credit losses of the contract assets of the Company, please refer to Impairment of financial instruments of Note III/(X).

### (XVII) Long-term equity investment

#### 1. Determination of initial investment cost

(1) For the long-term equity investment formed by a business combination, see Note III/(V) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

#### 1. Determination of initial investment cost (cont'd)

##### (2) Long-term equity investments acquired by other means (cont'd)

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.

#### 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

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

##### (2) Equity method (cont'd)

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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

#### 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.

##### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

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

##### (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.

##### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

#### 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

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

- (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.
- (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVII) Long-term equity investment (cont'd)

#### 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.

### (XVIII) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVIII) 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.

For fixed assets formed by using special reserve expenditures, the special reserve shall be written down according to the cost of forming the fixed assets, and the accumulated depreciation of the same amount shall be recognized. The depreciation of the fixed assets shall not be deducted in the following period.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XVIII) 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	20-30	10.00	4.50-3.00
Office and other equipments	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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XIX) 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 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.

### (XX) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XX) Borrowing costs (cont'd)

#### 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.

#### 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXI) Right-of-use assets

The Group initially measures the right-of-use assets at cost, which includes:

- (1) Initial measurement amount of lease liabilities.
- (2) For the lease payment paid on or before the lease term, if there is a lease incentive, the relevant amount of the enjoyed lease incentive shall be deducted.
- (3) Initial direct expenses incurred by the Group.
- (4) The Group's estimated costs (excluding costs incurred for the production of inventories) for the purpose of dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the status agreed in the lease terms.

After the start date of the lease term, the Company adopts the cost mode to carry out subsequent measurement on the right-of-use assets.

If the ownership of the leased asset can be reasonably determined at the end of the lease term, the Company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the end of the lease term, the Company shall accrue depreciation within the lease term or the remaining service life of the leased asset, whichever is shorter. For the right-of-use assets with provision for impairment, depreciation shall be made in the future according to the book value after deducting the provision for impairment with reference to the above principles.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXII) 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXII) Intangible assets and development expenditures (cont'd)

#### 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

For an intangible asset with no foreseeable limit to the period over which it is expected to bring economic benefits to the Group, it is treated as an intangible asset with indefinite useful life.

For intangible assets with indefinite useful lives, they will not be amortized during the holding period, and the life of intangible assets will be reviewed at the end of each term. If the final review remains uncertain, the impairment test will continue during each accounting period.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXII) Intangible assets and development expenditures (cont'd)

#### 4. *Development phase expenditures meet specific criteria for capitalisation*

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXIII) 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXIV) 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.

### (XXV) 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.

#### 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXV) Employee benefits (cont'd)

#### 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.

#### 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXVI) 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;

Fulfillment 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXVII) Lease liability

The Company's initial measurement of the lease liability is based on the present value of the lease payments that have not been paid on the beginning of the lease period. When calculating the present value of the lease payment, the Company uses the interest rate implicit in the lease as the discount rate; if the interest rate implicit in the lease cannot be determined, the Company uses the incremental borrowing rate as the discount rate. Lease payments include:

1. The fixed payment amount and the actual fixed payment amount after deducting the leasing incentive related amount;
2. Variable lease payments depending on index or ratio;
3. When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the purchase option;
4. When the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment includes the amount to be paid for the exercise of the option to terminate the lease;
5. The expected payment due to the residual value of the guarantee provided by the Company.

The Company calculates the interest expense of the lease liability in each period of the lease term according to a fixed discount rate, and it is included into the current profit and loss or related asset costs.

Variable lease payments that are not included into the measurement of lease liabilities should be included into current profit or loss or related asset costs when they actually occur.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXVIII) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXVIII) Revenue (cont'd)

#### 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.

### (XXIX) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXIX) Contract cost (cont'd)

#### 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.

#### 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.

### (XXX) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XX) Government grants (cont'd)

#### 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.

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 (RMB1.00). Government grants measured at nominal amounts are credited directly to profit or loss for the current period.

#### 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.

Items	Accounting content
Categories of government grants accounted for using the gross method	Related to revenue
Categories of government grants accounted for using the net method	Asset-related

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XX) Government grants (cont'd)

#### 3. Accounting treatment (cont'd)

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.

### (XXX) 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXI) Deferred income tax assets and deferred income tax liabilities (cont'd)

#### 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXI) Lease

On the commencement date of the contract, the Company evaluates whether the contract is a lease or includes a lease. If one party in a contract gives up the right to control the use of one or more identifiable assets for a period of time in exchange for consideration, the contract is a lease or includes a lease.

#### 1. Spin off of lease contracts

When the contract contains a number of separate leases, the Company will split the contract and separate leases for accounting.

When the contract contains both leasing and non-leasing parts, the Company will split the leasing and non-leasing parts. The leasing part shall be accounted for in accordance with the leasing standards, and the non-leasing part shall be accounted for in accordance with other applicable accounting standards for enterprises.

#### 2. Consolidation of lease contracts

When two or more lease-containing contracts concluded by the Company with the same trader or its related parties at the same time or at a similar time meet one of the following conditions, the Company shall merge them into one contract for accounting:

- (1) The two or more contracts are concluded for general commercial purposes and constitute a package of transactions. If these are not considered as a whole, these overall commercial purposes cannot be recognized.
- (2) The amount of consideration for a contract in two or more contracts depends on the pricing or performance of other contracts.
- (3) The right-to-use assets transferred by the two or more contracts together constitutes a separate lease.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXI) Lease (cont'd)

#### 3. Accounting for the Company as lessee

On the commencement date of leasing, the Company recognizes the right-to-use assets and lease liabilities for leases, in addition to short-term leases and low-value assets leases with simplified treatment.

##### (1) Short-term leases and Low-value assets leases

Short-term lease refers to a lease that does not include purchase options and has a lease term not exceeding 12 months. Low-value asset lease refers to the lease with lower value when a single leased asset has low value when it is new.

The Company does not recognize the right-to-use assets and lease liabilities for the short-term leases and low-value asset leases. Relevant lease payments are incorporated in the cost of related assets or current profits and losses based on the straight-line method or other systematic and reasonable methods during the lease period.

The Company recognizes the right-to-use assets and lease liabilities for short-term leases and low-value assets other than those mentioned above.

##### (2) Please refer to this Note (XXI) and (XXVII) to the financial statements for accounting policies of right-of-use assets and lease liability.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXII) Lease (cont'd)

#### 4. Accounting for the Company as Lessor

##### (1) Classification of Leases

The Company divides the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to leases other than financial leases.

If a lease has one or more of the following characteristics, the Company usually classifies it as a financial lease:

- 1) At the end of the lease term, the ownership of the leased assets is transferred to the lessee.
- 2) The lessee has the option to purchase the leased assets, and the purchase price set by the lessee is low enough compared with the expected fair value of the leased assets when exercising the option. Therefore, it can be reasonably determined on the lease start date that the lessee will exercise the option.
- 3) Although the ownership of the assets is not changed, the lease period accounts for the majority of the life of the leased assets.
- 4) At the beginning of the lease, the present value of the rental fee is almost equal to the fair value of the leased assets.
- 5) The nature of leased assets is special. If there is no major transformation, only the lessee can use them.

If one or more of the following conditions exist in a lease, the Company may also be classified as a financial lease:

- 1) If the lessee ends the lease, the lessee shall bear the losses caused by the termination of the lease to the lessor.
- 2) The profits or losses caused by the fluctuation of the fair value of the balance of assets belong to the lessee.
- 3) The lessee can continue to lease far below the market level for the next period.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXII) Lease (cont'd)

#### 4. Accounting for the Company as Lessor (cont'd)

##### (2) Accounting for financial lease

At the beginning of the lease term, the Company confirms the financial lease receivable on the financial lease and terminates the recognition of the financial lease assets.

When the initial measurement of the financial lease receivable is made, the present value of the financial lease receivable is the sum of the unsecured balance and the amount of the lease receivable that has not yet been received at the beginning of the lease term and the present value discounted at the interest rate included in the lease. The amount of rental receipts includes:

- 1) Fixed payment and substantive fixed payment after deducting the relevant amount of lease incentive.
- 2) Variable rental payments depending on index or ratio.
- 3) In the case of reasonably determining that the lessee will perform the right of purchase option, the amount of rental receipt includes the right price of purchase option.
- 4) The lease term reflects that the lessee will perform the option to terminate the lease. The lease receipt includes the amount to be paid by the lessee in exercising the option to terminate the lease.
- 5) Guarantee residual value provided by the lessee to the lessor, the party concerned with the lessee and an independent third party with financial capacity to fulfil the guarantee obligation.

The Company calculates and confirms the interest income for each period of the lease period abased on the fixed rental interest rate, and the variable rental payments which are not included in the net rental investment amount are included in the profits and losses of the current period when they actually occur.

##### (3) Accounting for operating lease

The Company adopts the straight line method or other systematic and reasonable method to recognize the rental receipts from operating leases as rental income during each period of the lease period. Capitalization of the initial direct expenses incurred in connection with operating leases shall be apportioned on the same basis as the recognition of rental income during the lease period, and shall be recorded in the profits and losses of the current period. Variable rental payments obtained in connection with operating leases that are not incorporated in the rental receipts shall be incorporated in the profits and losses of the current period when they actually occur.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXIII) 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.

### (XXXIV) Changes in significant accounting policies and accounting estimates

#### 1. Changes in accounting policies

##### Contents and reasons for changes in accounting policies

##### Remarks

Since 1 January 2022, the Company has implemented the Interpretation of Accounting Standards for Business Enterprises No. 15 issued by the Ministry of Finance in 2021, "Accounting treatment for the external sales of products or by-products produced before the fixed assets are ready for their intended use or in the process of research and development" and "Judgment on loss contracts".

(1)

Since 13 December 2022, the Company has implemented the Accounting Standards for Business Enterprises Interpretation No. 16 issued by the Ministry of Finance in 2022, "Accounting treatment on the income tax impact of dividends related to financial instruments classified as equity instruments by issuers" and "Accounting treatment on the modification of cash-settled share-based payments to equity-settled share-based payments by enterprises".

(2)

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## III Significant accounting policies, accounting estimates (cont'd)

### (XXXIV) Changes in significant accounting policies and accounting estimates (cont'd)

#### 1. Changes in accounting policies (cont'd)

Description of changes in accounting policies:

- (1) Impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 15 on the Company

On 31 December 2021, the Ministry of Finance issued Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35, hereinafter referred to as "Interpretation No. 15"), in which the contents of "Accounting treatment for the external sales of products or by-products produced by enterprises before the fixed assets reach the intended usable state or during the research and development process" and "Judgment on loss contracts" were implemented as of 1 January 2022.

The Company has implemented Interpretation No. 15 since the implementation date, which has no significant impact on the financial statements during the reporting period.

- (2) Impact of the implementation of Accounting Standards for Business Enterprises Interpretation No. 16 on the Company

On 13 December 2022, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 16 (Cai Kuai [2022] No. 31, hereinafter referred to as the "Interpretation No. 16"). Among the accounting treatment of the three items of Interpretation No. 16, "the accounting treatment of deferred income tax related to assets and liabilities arising from individual transactions is not applicable to the exemption from initial recognition", which will be implemented as of 1 January 2023, allowing enterprises to implement ahead of schedule from the year of issuance, The Company implements the accounting treatment related to this matter this year; "Accounting Treatment for the Income Tax Effect of Dividends Related to Financial Instruments Classified as Equity Instruments by the Issuer" and "Accounting Treatment for Enterprises to Modify Cash Settled Share-based Payments to Equity Settled Share-based Payments" shall be implemented as of the date of promulgation.

The Company has implemented Interpretation No. 16 since the implementation date, which has no significant impact on the financial statements during the reporting period.

#### 2. Changes in accounting estimates

There were no changes in significant accounting estimates during the Reporting Period.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## IV Tax

### (I) Major taxes and tax rates of the Company

Items of taxation	Tax basis	Tax rate
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: 1.2% of 70% of the original value of the property. Levied from rent: levied at 12% of rental income.	1.2% 12%

Note:

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", "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" and the "Notice of Shandong Provincial Department of Finance and Shandong Provincial State Administration of Taxation on Publishing the Verification and Deduction Standard of Input Tax of Value-added Tax on Some Agricultural Products such as Soybeans", Whitewater Andre Fruit and Vegetable Juice Co., Ltd, and Liqun 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 and Yantai North Andre Juice Co., Ltd and Yantai Longkou Andre Juice Co., Ltd., since January 2021. 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## IV 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 Announcement No. 23 of 2020 of the Ministry of finance, the State Administration of Taxation and the national development and Reform Commission on the Continuation of the Enterprise Income Tax Policy for the Western Development, Whitewater Andre Fruit and Vegetable Juice Co., Ltd and Anyue Andre Lemon Industry Technology Co., Ltd. shall pay the enterprise income tax at the reduced tax rate of 15% from 2021 to 2030.
- 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements

(The following monetary units are all RMB unless otherwise specified. The Closing balance refers to 31 December 2022 and the Opening balance refers to 1 January 2022.)

### Note 1. Cash at bank and on hand

Items	Closing balance	Opening balance
Cash on hand	6,289.65	5,383.92
Deposits with banks	224,336,148.16	374,615,562.70
Other monetary funds	10,000,000.00	5,738,641.65
Total	234,342,437.81	380,359,588.27
Of which: total amount deposited abroad	1,736,796.80	2,538,488.76

The restricted monetary funds are as follows:

Items	Closing balance	Opening balance
Deposit of bank acceptance	–	5,738,641.65
Deposit of letter of credit	10,000,000.00	–
Total	10,000,000.00	5,738,641.65

### Note 2. Financial assets held for trading

Items	Closing balance	Opening balance
Subtotal of financial assets classified as at fair value through profit or loss	581,808,314.35	316,218,242.00
Asset management plan	99,189,910.28	162,026,277.68
Funds	25,480,000.00	30,083,440.32
Investment in equity instruments	153,896,854.51	124,108,524.00
Net worth financial products	303,241,549.56	–
Total	581,808,314.35	316,218,242.00

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 3. Bills receivable

1. Bills receivable are presented by category

Items	Closing balance	Opening balance
Bank's acceptance bill	<u>4,662,800.00</u>	<u>4,558,301.00</u>
Total	<u><u>4,662,800.00</u></u>	<u><u>4,558,301.00</u></u>

As at 31 December 2022, the Company believes that the bills receivable held by the Company do not have significant credit risk and will not cause significant losses due to the default of banks or other issuers. The Company has no pledged notes receivable.

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	<u>1,699,682.50</u>	<u>—</u>
Total	<u><u>1,699,682.50</u></u>	<u><u>—</u></u>

### Note 4. Accounts receivables

1. Disclosure of trade receivables by age

Aging	Closing balance	Opening balance
Within 6 months (inclusive)	<b>179,004,825.57</b>	200,777,471.49
6 months to 1 year (inclusive)	<b>57,964,992.38</b>	12,379,623.65
1 to 2 years (inclusive)	<u>843,830.45</u>	<u>—</u>
Subtotal	<b>237,813,648.40</b>	213,157,095.14
Less: loss allowance	<u>17,376,812.53</u>	<u>14,136,777.68</u>
Total	<u><u>220,436,835.87</u></u>	<u><u>199,020,317.46</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 4. Accounts receivables (cont'd)

#### 2. Classified disclosure by bad debt provision accrual method

Type	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	237,813,648.40	100.00	17,376,812.53	7.31	220,436,835.87
Where: Portfolio of amounts due from customers	237,813,648.40	100.00	17,376,812.53	7.31	220,436,835.87
<b>Total</b>	<b>237,813,648.40</b>	<b>100.00</b>	<b>17,376,812.53</b>	<b>7.31</b>	<b>220,436,835.87</b>

Continued:

Type	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	213,157,095.14	100.00	14,136,777.68	6.63	199,020,317.46
Where: Portfolio of amounts due from customers	213,157,095.14	100.00	14,136,777.68	6.63	199,020,317.46
<b>Total</b>	<b>213,157,095.14</b>	<b>100.00</b>	<b>14,136,777.68</b>	<b>6.63</b>	<b>199,020,317.46</b>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 4. Accounts receivables (cont'd)

#### 3. Accounts receivable with expected credit losses by portfolio

##### (1) Portfolio of amounts due from customers

Aging	Closing balance		
	Book balance	Bad-debt provision	Accrual percentage (%)
Not past due	218,115,353.20	13,086,921.19	6.00
Within 30 days overdue	18,840,925.56	3,768,185.11	20.00
Overdue for 31 to 60 days	839,158.53	503,495.12	60.00
Overdue for more than 61 days	18,211.11	18,211.11	100.00
Total	237,813,648.40	17,376,812.53	7.31

#### 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	-	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	14,136,777.68	3,404,620.75	-	164,585.90	-	17,376,812.53
Where: Portfolio of amounts due from customers	14,136,777.68	3,404,620.75	-	164,585.90	-	17,376,812.53
Total	14,136,777.68	3,404,620.75	-	164,585.90	-	17,376,812.53

#### 5. Accounts receivable actually written off during the reporting period

Items	Amount
Accounts receivable actually written off	164,585.90

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 4. Accounts receivables (cont'd)

6. Five largest accounts receivable by debtor at the end of the year

	Closing balance	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the top five accounts receivable by debtor in the closing balance	<u><b>138,211,293.76</b></u>	<u>58.12</u>	<u>8,392,796.70</u>

### Note 5. Advance payment

1. Prepayments are presented by age

Aging	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	<u><b>619,044.11</b></u>	<u><b>100.00</b></u>	<u>2,130,015.84</u>	<u>100.00</u>
Total	<u><b>619,044.11</b></u>	<u><b>100.00</b></u>	<u>2,130,015.84</u>	<u>100.00</u>

2. Top five prepayments of ending balance by prepayment object

	Closing balance	Percentage of total prepayments (%)
Summary of the top five accounts receivable by debtor in the closing balance	<u><b>460,066.76</b></u>	<u>74.32</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 6. Other receivables

Items	Closing balance	Opening balance
Other receivables	<u>26,795,468.30</u>	<u>819,188.16</u>
Total	<u><u>26,795,468.30</u></u>	<u><u>819,188.16</u></u>

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividends receivable.

#### (i) Other receivables

##### 1. Disclosure by age

Aging	Closing balance	Opening balance
Within 1 year	27,903,775.25	639,257.18
1-2 years	211,544.94	139,922.78
2-3 years	32,900.00	107,454.18
3-4 years	116,952.26	–
More than 5 years	–	19,317.67
Subtotal	<u>28,265,172.45</u>	<u>905,951.81</u>
Less: loss allowance	<u>1,469,704.15</u>	<u>86,763.65</u>
Total	<u><u>26,795,468.30</u></u>	<u><u>819,188.16</u></u>

##### 2. Breakdown by nature of amounts

Nature of money	Closing balance	Opening balance
Deposits, petty cash, cash pledge	194,270.00	291,070.00
Others	1,420,902.45	614,881.81
Equity disposal receivable	<u>26,650,000.00</u>	<u>–</u>
Subtotal	<u>28,265,172.45</u>	<u>905,951.81</u>
Less: loss allowance	<u>1,469,704.15</u>	<u>86,763.65</u>
Total	<u><u>26,795,468.30</u></u>	<u><u>819,188.16</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 6. Other receivables (cont'd)

(l) Other receivables (cont'd)

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	28,265,172.45	1,469,704.15	26,795,468.30	905,951.81	86,763.65	819,188.16
Total	28,265,172.45	1,469,704.15	26,795,468.30	905,951.81	86,763.65	819,188.16

4. Classified disclosure by bad debt provision accrual method

Type	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	28,265,172.45	100.00	1,469,704.15	5.20	26,795,468.30
Where: Portfolio with low credit risk, such as margin and reserve fund portfolio	28,265,172.45	100.00	1,469,704.15	5.20	26,795,468.30
Total	28,265,172.45	100.00	1,469,704.15	5.20	26,795,468.30



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 6. Other receivables (cont'd)

(I) Other receivables (cont'd)

#### 4. Classified disclosure by bad debt provision accrual method (cont'd)

Continued:

Type	Opening balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	905,951.81	100.00	86,763.65	9.58	819,188.16
Where: Portfolio with low credit risk, such as margin and reserve fund portfolio	905,951.81	100.00	86,763.65	9.58	819,188.16
<b>Total</b>	<b>905,951.81</b>	<b>100.00</b>	<b>86,763.65</b>	<b>9.58</b>	<b>819,188.16</b>

#### 5. Other accounts receivable for anticipated credit losses on a portfolio basis

(1) Portfolio with low credit risk, such as margin and reserve fund portfolio

Overdue days	Closing balance		
	Book balance	Bad-debt provision	Percentage (%)
Within 1 year	27,903,775.25	1,395,188.76	5.00
1-2 years	211,544.94	21,154.49	10.00
2-3 years	32,900.00	6,580.00	20.00
3-4 years	116,952.26	46,780.90	40.00
<b>Total</b>	<b>28,265,172.45</b>	<b>1,469,704.15</b>	<b>5.20</b>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 6. Other receivables (cont'd)

(l) Other receivables (cont'd)

#### 6. Provision for bad debts of other receivables

	Stage one	Stage two	Stage three	
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	Total
Opening balance	86,763.65	–	–	86,763.65
Provision in current period	1,382,940.50	–	–	1,382,940.50
Return in current period	–	–	–	–
Transfer in current period	–	–	–	–
Write off in current period	–	–	–	–
Closing balance	<u>1,469,704.15</u>	<u>–</u>	<u>–</u>	<u>1,469,704.15</u>

#### 7. Five largest other receivables by debtor at the end of the year

Name of organization	Nature of money	Closing balance	Aging	Percentage of other receivables ending balance (%)	Bad-debt provision closing balance
Yantai Muping Huatai Furniture Packaging Co., Ltd	Equity disposal receivable	<b>26,650,000.00</b>	Within 1 year	94.29	1,332,500.00
Tianjin Wahaha Hongzhen Food and Beverage Trading Co., Ltd.	Deposit	<b>100,000.00</b>	Within 1 year	0.35	5,000.00
Huatai Property Insurance Co., Ltd. Shanghai Branch	Others	<b>44,028.06</b>	Within 1 year	0.16	2,201.40
Shaanxi President Enterprises Co., Ltd.	Cash pledge	<b>30,000.00</b>	2-3 years	0.11	6,000.00
Qu Yunjiang	Pretty cash	<b>20,000.00</b>	Within 1 year	0.07	1,000.00
Total		<u><b>26,844,028.06</b></u>		<u>94.98</u>	<u>1,346,701.40</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 7. Inventory

#### 1. Inventory classification

Items	Closing balance			Opening balance		
	Book balance	Depreciation reserve/Provision for depreciation of contract performance cost	Book value	Book balance	Depreciation reserve/Provision for depreciation of contract performance cost	Book value
Raw materials	34,749,973.32	-	34,749,973.32	29,064,020.69	-	29,064,020.69
Finished goods	516,870,265.63	800,091.95	516,070,173.68	608,117,309.79	1,638,490.08	606,478,819.71
Total	551,620,238.95	800,091.95	550,820,147.00	637,181,330.48	1,638,490.08	635,542,840.40

#### 2. Provision for depreciation of inventories and provision for depreciation of contract performance cost

Items	Opening balance	Increase in current period		Decrease in current period			Closing balance
		Provision	Others	Switch back	Resell	Others	
Finished goods	1,638,490.08	-	-	838,398.13	-	-	800,091.95
Total	1,638,490.08	-	-	838,398.13	-	-	800,091.95

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 8. Other current assets

Items	Closing balance	Opening balance
Input VAT recoverable	<b>10,676,286.28</b>	19,427,526.63
Short-term other debt investments	<b>191,715,249.89</b>	120,433,424.66
Total	<b>202,391,536.17</b>	139,860,951.29

### Note 9. Long-term equity investment

Investee	Opening balance	Changes during the current period			Adjustments to other comprehensive income
		Other increases	Decrease of investment	Investment gains/ losses under equity method	
Associates					
Yantai Andre Juice Co., Ltd.	-	11,764,864.23	-	162,771.52	-
Total	-	11,764,864.23	-	162,771.52	-

Continued:

Investee	Movement during the current period				Closing balance	Provision for impairment Closing balance
	Other equity changes	Cash dividends or profit declared	Provision for impairment	Others		
Associates						
Yantai Andre Juice Co., Ltd.	-	-	-	-	<b>11,927,635.75</b>	-
Total	-	-	-	-	<b>11,927,635.75</b>	-

Note: Other increases in the current period are due to the disposal of 75% equity of wholly-owned subsidiaries and the remaining 25% equity.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 10. Other non-current financial assets

Items	Closing balance	Opening balance
Equity instrument investment	<u>6,000,000.00</u>	<u>6,000,000.00</u>
Total	<u><u>6,000,000.00</u></u>	<u><u>6,000,000.00</u></u>

### Note 11. Fixed assets

Items	Closing balance	Opening balance
Fixed assets	674,782,397.88	672,506,825.39
Liquidation of fixed assets	<u>-</u>	<u>-</u>
Total	<u><u>674,782,397.88</u></u>	<u><u>672,506,825.39</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 11. Fixed assets (cont'd)

#### (1) Fixed assets

##### 1. Fixed assets

Items	Plant and buildings	Machinery and equipment	Office and other equipments	Motor vehicles	Total
I. Original book value					
1. Opening balance	552,521,345.68	895,279,590.15	24,297,066.19	10,899,242.42	1,482,997,244.44
2. Increase in current period	13,452,200.86	48,882,716.96	731,093.62	304,973.15	63,370,984.59
Purchases	3,621,531.38	8,883,933.41	730,303.62	304,973.15	13,540,741.56
Transfer-in of construction in progress	8,696,328.36	39,998,783.55	790.00	-	48,695,901.91
Translation differences in foreign currency statements	1,134,341.12	-	-	-	1,134,341.12
3. Decrease in current period	20,865,677.33	15,633,374.37	90,449.83	515,938.67	37,105,440.20
Disposal or retirement	-	-	26,698.00	515,938.67	542,636.67
Disposal of subsidiaries	20,865,677.33	15,633,374.37	63,751.83	-	36,562,803.53
4. Closing balance	<u>545,107,869.21</u>	<u>928,528,932.74</u>	<u>24,937,709.98</u>	<u>10,688,276.90</u>	<u>1,509,262,788.83</u>
II. Accumulated depreciation					
1. Opening balance	170,343,361.41	578,173,241.46	19,244,609.96	7,644,211.96	775,405,424.79
2. Increase in current period	10,809,813.57	16,244,402.05	1,031,174.80	809,606.05	28,894,996.47
Provision for current period	10,696,549.29	16,244,402.05	1,031,174.80	809,606.05	28,781,732.19
Translation differences in foreign currency statements	113,264.28	-	-	-	113,264.28
3. Decrease in current period	5,795,498.44	8,204,682.34	81,075.73	464,344.80	14,545,601.31
Disposal or retirement	-	-	23,741.25	464,344.80	488,086.05
Disposal of subsidiaries	5,795,498.44	8,204,682.34	57,334.48	-	14,057,515.26
4. Closing balance	<u>175,357,676.54</u>	<u>586,212,961.17</u>	<u>20,194,709.03</u>	<u>7,989,473.21</u>	<u>789,754,819.95</u>
III. Impairment allowance					
1. Opening balance	17,425,665.35	17,555,213.80	104,115.11	-	35,084,994.26
2. Increase in current period	4,626,725.09	4,997,181.67	16,669.98	-	9,640,576.74
Provision for current period	4,626,725.09	4,997,181.67	16,669.98	-	9,640,576.74
3. Decrease in current period	-	-	-	-	-
4. Closing balance	<u>22,052,390.44</u>	<u>22,552,395.47</u>	<u>120,785.09</u>	<u>-</u>	<u>44,725,571.00</u>
IV. Book value					
1. Closing carrying amount	347,697,802.23	319,763,576.10	4,622,215.86	2,698,803.69	674,782,397.88
2. Opening book value	<u>364,752,318.92</u>	<u>299,551,134.89</u>	<u>4,948,341.12</u>	<u>3,255,030.46</u>	<u>672,506,825.39</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 11. Fixed assets (cont'd)

(1) Fixed assets (cont'd)

2. Temporarily idle fixed assets as of 31 December 2022

Category	Original value	Accumulated depreciation	Provision for impairment	Book value
Housings and buildings	<u>2,015,336.95</u>	<u>1,099,672.27</u>	<u>–</u>	<u>915,664.68</u>
Total	<u><u>2,015,336.95</u></u>	<u><u>1,099,672.27</u></u>	<u><u>–</u></u>	<u><u>915,664.68</u></u>

3. Fixed assets leased out under operating leases

Items	Closing carrying amount
Plant and buildings	<u>9,587,275.24</u>
Total	<u><u>9,587,275.24</u></u>

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 12. Construction in progress

Items	Closing balance	opening balance
Construction in process	<b>56,637.17</b>	1,299,652.97
Engineering materials	<u>-</u>	<u>-</u>
Total	<b><u>56,637.17</u></b>	<u>1,299,652.97</u>

Note: The construction in progress in the above table refers to the construction in progress after deducting engineering materials.

#### (1) Construction in process

##### 1. Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Impairment allowance	Book value	Book balance	Impairment allowance	Book value
Baishui Natural Gas Station Construction Project	-	-	-	456,000.00	-	456,000.00
Baishui Boiler Room Construction Project	-	-	-	426,795.00	-	426,795.00
Longkou Greenhouse Construction Project	-	-	-	416,857.97	-	416,857.97
Liquan sewage station deodorization project	<b>56,637.17</b>	<u>-</u>	<b>56,637.17</b>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<b><u>56,637.17</u></b>	<u>-</u>	<b><u>56,637.17</u></b>	<u>1,299,652.97</u>	<u>-</u>	<u>1,299,652.97</u>



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 12. Construction in progress (cont'd)

(1) Construction in process (cont'd)

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
Dalian 30 tons concentrated fruit juice production line	-	41,001,053.12	41,001,053.12	-	-
Longkou material table	-	1,028,424.02	1,028,424.02	-	-
Longkou cold storage transformation foundation project	-	2,000,000.02	2,000,000.02	-	-
Longkou membrane concentration equipment	-	1,031,727.48	1,031,727.48	-	-
Longkou cold storage large jar and juice jar	-	1,975,001.61	1,975,001.61	-	-
Total	-	47,036,206.25	47,036,206.25	-	-

Project name	Budget figure (ten thousand yuan)	Proportion of project investment to budget (%)	Progress (%)	Accumulated amount of interest capitalisation	Of which:	Current interest capitalisation rate (%)	Sources of fund
					the amount of interest capitalised in the current period		
Dalian 30 tons concentrated fruit juice production line	4,554.59	90.02	100.00	-	-	-	Raise funds
Longkou material table	109.00	94.35	100.00	-	-	-	funds in the hands of the localities
Longkou cold storage transformation foundation project	218.00	91.74	100.00	-	-	-	funds in the hands of the localities
Longkou membrane concentration equipment	109.00	94.65	100.00	-	-	-	funds in the hands of the localities
Longkou cold storage large jar and juice jar	210.00	94.05	100.00	-	-	-	funds in the hands of the localities
Total	5,200.59			-	-	-	

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 13. Intangible assets

#### 1. Intangible assets

Items	Land use right	Total
I. Original book value		
1. Opening balance	132,691,384.99	132,691,384.99
2. Increase in current period	–	–
3. Decrease in current period	11,378,116.06	11,378,116.06
Disposal of subsidiaries	11,378,116.06	11,378,116.06
4. Closing balance	<u>121,313,268.93</u>	<u>121,313,268.93</u>
II. Accumulated amortization		
1. Opening balance	32,942,851.85	32,942,851.85
2. Increase in current period	3,159,080.60	3,159,080.60
Provision for current period	3,159,080.60	3,159,080.60
3. Decrease in current period	3,751,747.23	3,751,747.23
Disposal of subsidiaries	3,751,747.23	3,751,747.23
4. Closing balance	<u>32,350,185.22</u>	<u>32,350,185.22</u>
III. Impairment allowance		
1. Opening balance	–	–
2. Increase in current period	–	–
3. Decrease in current period	–	–
4. Closing balance	<u>–</u>	<u>–</u>
IV. Book value		
1. Closing carrying amount	88,963,083.71	88,963,083.71
2. Opening book value	<u>99,748,533.14</u>	<u>99,748,533.14</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 14. 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	-	-	<b>3,066,598.32</b>
Yongji Andre Juice Co., Ltd.	4,566,292.71	-	-	<b>4,566,292.71</b>
Yantai Longkou Andre Juice Co., Ltd.	1,020,683.72	-	-	<b>1,020,683.72</b>
Total	8,653,574.75	-	-	<b>8,653,574.75</b>

Note: 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 recognized as 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 recognized as 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 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 Co., Ltd. was recognized as goodwill relating to Yantai Longkou Andre Juice Co., Ltd.

#### 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	-	-	<b>3,066,598.32</b>
Total	3,066,598.32	-	-	<b>3,066,598.32</b>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 14. Goodwill (cont'd)

#### 3. Information about the asset group or combination of asset groups in which the goodwill is located

After the acquisition of Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd., their business, personnel, technology and capital are relatively independent, and the cash inflow generated is independent of the cash inflow generated by other assets or asset groups. Therefore, the whole of Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. are treated as an independent asset group for impairment test. The asset group is consistent with the asset group determined during the goodwill impairment test on the purchase date and previous years. Its composition has not changed. Working capital has been deducted when determining the book value of operating long-term assets. The composition of the asset group is consistent with the recoverable amount of the asset group.

#### 4. Goodwill impairment test process, key parameters and recognition method of goodwill impairment loss

##### (1) Goodwill impairment test process

This time, the income method is used to evaluate the recoverable amount of the corresponding asset group. The recoverable amount of the asset group is determined according to the present value of the estimated future cash flow. The estimated future cash flow is based on the five-year financial budget of the above-mentioned asset group approved by the management. The sustainable cash flow after five years is determined according to the level of the last year of the detailed forecast period.

The discount rate adopted by the Company is the pre-tax interest rate that reflects the time value of the current market currency and the specific risk of the relevant asset group.

##### (2) Key parameters

The Company calculates the present value of the estimated future cash flow and discount rate of the asset group to determine the recoverable amount, and calculates the key parameters and test results of goodwill impairment as follows:

Items	Discount rate	Basis
Yongji Andre Juice Co., Ltd.	11.39%	Weighted average cost of capital
Yantai Longkou Andre Juice Co., Ltd.	12.71%	Weighted average cost of capital

It is estimated that the goodwill of the Company to Yongji Andre Juice Co., Ltd. and Yantai Longkou Andre Juice Co., Ltd. has not been impaired during the reporting period.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 15. 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
Deductible temporary differences	<b>67,438,777.95</b>	54,013,623.99
Deductible loss	<b>3,075,174.70</b>	8,922,294.87
Total	<b>70,513,952.65</b>	62,935,918.86

#### 2. Expiration of deductible tax losses for unrecognised deferred tax assets

Age	Closing balance	Opening balance
2022	–	6,768,402.13
2023	<b>941,061.90</b>	767,711.57
2024	<b>53,475.07</b>	345,636.34
2025	–	350,199.13
2026	<b>2,003,042.50</b>	690,345.70
2027	<b>77,595.23</b>	–
Total	<b>3,075,174.70</b>	8,922,294.87

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 16. Other non-current assets

Items	Closing balance			Opening balance		
	Depreciation			Depreciation		
	Book balance	reserve	Book value	Book balance	reserve	Book value
Advance payment for equipment and project purchase	<u>620,045.30</u>	<u>-</u>	<u>620,045.30</u>	<u>460,166.52</u>	<u>-</u>	<u>460,166.52</u>
Total	<u><u>620,045.30</u></u>	<u><u>-</u></u>	<u><u>620,045.30</u></u>	<u><u>460,166.52</u></u>	<u><u>-</u></u>	<u><u>460,166.52</u></u>

### Note 17. Short-term borrowings

Items	Closing balance	Opening balance
Guaranteed borrowings	<b>60,000,000.00</b>	50,000,000.00
Domestic negotiation credit	<b>50,000,000.00</b>	50,000,000.00
Credit loans	<b>20,000,000.00</b>	-
Undue interest payable	<b><u>89,680.56</u></b>	<u>58,819.45</u>
Total	<b><u><u>130,089,680.56</u></u></b>	<u><u>100,058,819.45</u></u>

### Note 18. Bills payable

Items	Closing balance	Opening balance
Bank's Acceptance Bill	<u>-</u>	<u>10,000,000.00</u>
Total	<u><u>-</u></u>	<u><u>10,000,000.00</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 19. Accounts payable

Items	Closing balance	Opening balance
Materials and other payables	<b>45,374,245.75</b>	81,144,328.57
Amounts due for works and equipments	<b>14,708,361.04</b>	14,674,492.03
Total	<b>60,082,606.79</b>	95,818,820.60

Note: There are no significant accounts payable with an age of more than one year in the reporting period.

### Note 20. Contract liabilities

#### 1. Contract liabilities

Items	Closing balance	Opening balance
Payments received in advance	<b>2,750,116.53</b>	2,795,195.31
Total	<b>2,750,116.53</b>	2,795,195.31

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 21. 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	19,906,843.21	60,882,118.17	63,342,429.49	<b>17,446,531.89</b>
Post-employment benefits – defined contribution plans	–	5,170,247.37	4,517,552.00	<b>652,695.37</b>
Total	<u>19,906,843.21</u>	<u>66,052,365.54</u>	<u>67,859,981.49</u>	<u><b>18,099,227.26</b></u>

#### 2. Short-term employee benefits

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Wages, bonuses, allowances and subsidies	11,504,533.64	55,845,007.09	57,916,417.55	<b>9,433,123.18</b>
Staff welfare	8,368,880.57	848,431.92	1,240,358.10	<b>7,976,954.39</b>
Social security contributions	–	2,889,267.77	2,887,640.18	<b>1,627.59</b>
Among them:				
Basic medical insurance	–	2,528,765.88	2,528,765.88	–
Supplementary medical insurance	–	317,945.81	316,318.22	<b>1,627.59</b>
Work injury insurance	–	42,556.08	42,556.08	–
Housing fund	–	1,001,382.70	996,546.70	<b>4,836.00</b>
Labour union funds and staff education funds	<u>33,429.00</u>	<u>298,028.69</u>	<u>301,466.96</u>	<u><b>29,990.73</b></u>
Total	<u>19,906,843.21</u>	<u>60,882,118.17</u>	<u>63,342,429.49</u>	<u><b>17,446,531.89</b></u>



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 21. Employee benefits payable (cont'd)

#### 3. Defined contribution plans

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Basic pension	–	4,978,414.93	4,326,774.51	<b>651,640.42</b>
Unemployment insurance	–	191,832.44	190,777.49	<b>1,054.95</b>
Total	–	5,170,247.37	4,517,552.00	<b>652,695.37</b>

#### 4. Other description of Employee benefits payable

- 1) As at 31 December 2022, there were no amounts in arrears in the remuneration payable by the Company to the employees.
- 2) In accordance with the relevant PRC regulations, the Company participates in the employees' defined contribution retirement scheme arranged by the local government for its employees. The Company is required to make contributions to the retirement scheme at a specific percentage or at a specific amount of the employees' remuneration. The relevant local government authorities are responsible for all retirement liabilities of the retired employees. The Company is not subject to any other material obligation in respect of the payment of pension in respect of these plans other than the annual contributions mentioned above.
- 3) During the period (2022, 2021 and 2020), the Company had no forfeited contributions (by employers on behalf of employees who leave the defined contribution plans of the Company prior to vesting fully in such contributions) which may be used by the Company to reduce the existing level of contributions.

### Note 22. Taxes payable

Tax items	Closing balance	Opening balance
Value-added tax	<b>13,276,183.18</b>	2,953,891.27
Property tax	<b>651,340.22</b>	873,268.00
Land use tax	<b>681,402.11</b>	828,606.51
Others	<b>5,058,137.52</b>	507,903.48
Total	<b>19,667,063.03</b>	5,163,669.26

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 23. Other accounts payable

Items	Closing balance	Opening balance
Other payables	<u>1,485,027.30</u>	<u>2,817,621.14</u>
Total	<u><u>1,485,027.30</u></u>	<u><u>2,817,621.14</u></u>

Note: Other payables in the above table refer to other payables after deducting interest payable and dividend payable.

#### (i) Other payables

##### 1. Other payables by nature of amount

Nature of money	Closing balance	Opening balance
Quality guarantee fund	7,942.00	13,736.60
Deposits and margin	732,856.30	1,295,725.73
Accrued expenses	40,053.47	759,781.97
Others	<u>704,175.53</u>	<u>748,376.84</u>
Total	<u><u>1,485,027.30</u></u>	<u><u>2,817,621.14</u></u>

### Note 24. Other current liabilities

Items	Closing balance	Opening balance
Pending VAT output	<u>295,231.42</u>	<u>363,375.35</u>
Total	<u><u>295,231.42</u></u>	<u><u>363,375.35</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 25. Long-term payables

Items	Closing balance	Opening balance
Long-term payables	<u>1,655,590.00</u>	<u>1,618,557.00</u>
Total	<u><u>1,655,590.00</u></u>	<u><u>1,618,557.00</u></u>

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	<b>1,025,750.00</b>	988,717.00
Special funds for counterpart aid from Jiangsu and Shaanxi	<u>629,840.00</u>	<u>629,840.00</u>
Total	<u><u>1,655,590.00</u></u>	<u><u>1,618,557.00</u></u>

### Note 26. Deferred income

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance	Cause of formation
Revenue-related government grants	—	6,279,000.00	—	<b>6,279,000.00</b>	See Note 26. 1
Total	<u>—</u>	<u>6,279,000.00</u>	<u>—</u>	<u><u>6,279,000.00</u></u>	

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 26. Deferred income (cont'd)

#### 1. Deferred revenue in relation to government grants

Liability item	Opening balance	The amount of subsidy added in the current period	Amount included in non-operating income	Amount included in other incomes	Amount of write-down of costs and expenses in the current period	Add: other changes	Closing balance	Asset-related/ Revenue-related
Development and application of key technologies for deep processing of representative fruits in North China	—	6,279,000.00	—	—	—	—	6,279,000.00	Revenue-related
<b>Total</b>	<b>—</b>	<b>6,279,000.00</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,279,000.00</b>	

### Note 27. Share capital

Items	Opening balance	Current Period Change				Subtotal	Closing balance
		Issue a new share	Give out shares	Conversion of provident fund into shares	Others		
Total number of shares	367,300,000.00	—	—	—	-9,600,000.00	-9,600,000.00	357,700,000.00

Description of changes in share capital:

Pursuant to resolutions passed at the annual general meeting and the class meetings of the holders of the A shares and the class meetings of the holders of the H shares on 11 May 2021 as well as approvals from relevant government authorities, the Company repurchased 9,600,000 H Shares at consideration of HKD68,999,002.37 (equivalent to RMB56,495,117.73 (including transaction costs)) at Hong Kong Exchanges and Clearing Limited from 2 June 2021 to 27 January 2022. The repurchase shares had been cancelled on 11 February 2022, the Company's issued share capital was reduced by the amount equivalent to the par value of the repurchased shares. Excess of the repurchase price over the par value of the repurchased shares were charged against the capital reserve and the capital reserve was reduced by RMB46,895,117.73. After the capital reduction, the total number of shares changed from 367,300,000 shares to 357,700,000 shares with a par value of RMB1.00 each and the Company's registered capital changed to RMB357,700,000.00.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 28. Capital reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Capital premium (Equity premium)	51,522,081.20	–	46,895,117.73	<b>4,626,963.47</b>
Other capital reserve	<u>9,925.92</u>	<u>–</u>	<u>–</u>	<u><b>9,925.92</b></u>
Total	<u>51,532,007.12</u>	<u>–</u>	<u>46,895,117.73</u>	<u><b>4,636,889.39</b></u>

Description of changes in share capital: The changes of the Company's capital reserve for the current period are detailed in Note V, Note 27 Share capital.

### Note 29. Treasury stock

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Reduce the registered capital from repurchase	<u>23,872,408.21</u>	<u>32,544,162.32</u>	<u>56,416,570.53</u>	<u>–</u>
Total	<u>23,872,408.21</u>	<u>32,544,162.32</u>	<u>56,416,570.53</u>	<u>–</u>

Description of treasury stock:

- (1) The decrease in the Company's treasury shares for the current period is detailed in Note V, Note 27 Share capital.
- (2) As of 31 December 2022, the Company has actually repurchased 5,600,000 shares of H Shares, accounting for 5.7873% of the Company's total share capital of H Shares, accounting for 1.5246% of the Company's total share capital, and the total amount paid was RMB32,544,162.32 (inclusive of transaction costs). The implementation of the repurchase meets the requirements of the Company's share repurchase plan and relevant laws and regulations.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 30. Surplus reserve

Items	Opening balance	Increase in current period	Decrease in current period	Closing balance
Legal earned surplus reserve	141,408,306.24	9,307,192.43	—	<b>150,715,498.67</b>
Total	141,408,306.24	9,307,192.43	—	<b>150,715,498.67</b>

### Note 31. Retained earnings

Items	Current period amount	Prior period amount
Undistributed profit at end of prior period before adjustment	<b>1,689,200,792.40</b>	1,552,373,061.02
Adjust the total undistributed profit at the beginning of the period (increase+, decrease-)	—	—
Adjusted opening undistributed profit	<b>1,689,200,792.40</b>	1,552,373,061.02
Plus: net profit attributable to owners of the parent in the current period	<b>194,348,828.93</b>	160,014,984.91
Less: draw down statutory surplus reserve	<b>9,307,192.43</b>	4,822,253.53
common stock dividend payable	<b>17,885,000.00</b>	18,365,000.00
Undistributed profit at end of period	<b>1,856,357,428.90</b>	1,689,200,792.40

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 32. Operating income and operating costs

#### 1. Operating income, operating costs

Items	Current amount incurred		Prior period occurrence	
	Income	Cost	Income	Cost
Principal businesses	<b>1,053,115,862.71</b>	<b>845,280,946.57</b>	861,917,167.76	687,127,067.00
Other businesses	<b>12,313,446.57</b>	<b>7,013,181.87</b>	9,670,152.60	4,787,501.76
Total	<b>1,065,429,309.28</b>	<b>852,294,128.44</b>	871,587,320.36	691,914,568.76

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

Classification of the contracts	Current amount incurred	Prior period occurrence
1. Type of goods		
Fruit juice and Essence	<b>1,032,619,248.45</b>	835,593,557.19
Fruit residue	<b>20,496,614.26</b>	26,323,610.57
2. Type of markets or customers		
America	<b>318,973,470.94</b>	122,274,333.08
Asia	<b>515,875,911.74</b>	473,847,330.28
Africa	<b>116,239,407.60</b>	92,202,149.78
Europe	<b>33,623,158.09</b>	82,571,249.13
Oceania	<b>68,403,914.34</b>	91,022,105.49
3. Classification by time of commodity transfer		
Transfer at a certain point in time	<b>1,053,115,862.71</b>	861,917,167.76
Transfer within a certain period of time	—	—
Total	<b>1,053,115,862.71</b>	861,917,167.76

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 33. Taxes and surcharges

Items	Current amount incurred	Prior period occurrence
Urban maintenance and construction tax	<b>2,966,721.74</b>	1,369,703.07
Surcharge for Education	<b>2,396,597.70</b>	1,323,906.01
Property tax	<b>3,699,803.31</b>	3,787,467.88
Land use tax	<b>3,513,643.57</b>	3,244,189.25
Others	<b>1,127,993.82</b>	1,152,471.99
Total	<b>13,704,760.14</b>	10,877,738.20

### Note 34. Selling and distribution expenses

Items	Current amount incurred	Prior period occurrence
Payroll and welfare	<b>1,852,082.34</b>	1,436,495.26
Sales commission	<b>1,789,944.45</b>	1,240,464.50
Others	<b>606,899.75</b>	389,304.70
Total	<b>4,248,926.54</b>	3,066,264.46



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 35. General and administrative expenses

Items	Current amount incurred	Prior period occurrence
Payroll and welfare	<b>26,254,944.33</b>	24,577,324.21
Depreciation and amortisation charges	<b>7,118,153.00</b>	7,017,504.60
Repair and motor vehicle expenses	<b>3,602,780.27</b>	2,645,155.78
Temporary shutdown expenses	–	5,457,748.49
Auditors' remuneration	<b>830,188.68</b>	754,716.96
Other intermediary consulting services fees	<b>974,682.02</b>	2,687,678.65
Office and travel expenses	<b>1,377,832.82</b>	2,871,612.82
Others	<b>981,970.46</b>	401,220.49
Total	<b>41,140,551.58</b>	46,412,962.00

### Note 36. Research and development expenses

Items	Current amount incurred	Prior period occurrence
Employee compensation	<b>3,993,134.59</b>	3,359,391.55
Depreciation and amortisation	<b>512,645.83</b>	756,017.14
Experimental materials and inspection fee	<b>11,652,750.44</b>	7,400,153.54
Others	<b>1,781,436.75</b>	915,024.42
Total	<b>17,939,967.61</b>	12,430,586.65

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 37. Financial expenses

Items	Current amount incurred	Prior period occurrence
Interest expense	1,354,041.17	534,324.67
Less: interest income	6,652,922.26	4,182,091.34
Exchange gain or loss	-45,075,167.50	8,541,912.00
Bank charges	1,718,220.16	2,167,887.52
Total	-48,655,828.43	7,062,032.85

### Note 38. Other income

#### 1. Details of other income

Sources of other income	Current amount incurred	Prior period occurrence
Government subsidy	9,070,315.49	1,185,221.13
Refund of personal income tax handling fee	1,682.34	4,957.28
Total	9,071,997.83	1,190,178.41

#### 2. Government grants included in other income

Items	Current amount incurred	Prior period occurrence	Asset-related or Related to revenue
Industrial development fund	2,189,397.00	410,000.00	Related to revenue
Foreign trade subsidies	86,278.00	103,000.00	Related to revenue
Work-for-training grant	17,660.00	165,620.00	Related to revenue
Others	33,680.00	7,240.00	Related to revenue
Steady-post subsidies	24,600.49	404,862.97	Related to revenue
Preferential policy of tax refund for ex-servicemen	66,000.00	94,498.16	Related to revenue
Special reward	6,652,700.00	—	Related to revenue
Total	9,070,315.49	1,185,221.13	

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 39. Investment income

#### 1. Details of investment income

Items	Current amount incurred	Prior period occurrence
Investment gain from disposal of long-term equity investment	797,825.57	–
Investment income in the period in which financial asset hold for trading are held	1,462,819.85	3,647,894.50
Investment gain from disposal of financial asset hold for trading	43,385,186.36	45,924,566.80
Investment income in the period in which other debt investments are held	–	433,424.66
Notes receivable discounted interest	–	-348,650.00
Total	<u>45,645,831.78</u>	<u>49,657,235.96</u>

### Note 40. The change of income fair value

Sources of revenue from changes in fair value	Current amount incurred	Prior period occurrence
Financial assets held for trading	<u>-23,631,653.19</u>	<u>5,229,663.42</u>
Total	<u>-23,631,653.19</u>	<u>5,229,663.42</u>

### Note 41. Credit impairment loss

Items	Current amount incurred	Prior period occurrence
Bad debt losses	<u>-9,796,311.24</u>	<u>4,435,576.05</u>
Total	<u>-9,796,311.24</u>	<u>4,435,576.05</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 42. Asset impairment loss

Items	Current amount incurred	Prior period occurrence
Loss on depreciation of inventories and impairment loss of contract performance cost	838,398.13	-236,979.91
Impairment loss on fixed assets	<u>-9,640,576.74</u>	<u>—</u>
Total	<u><u>-8,802,178.61</u></u>	<u><u>-236,979.91</u></u>

### Note 43. Proceeds from disposal of assets

Items	Current amount incurred	Prior period occurrence
Gains or losses on disposal of fixed assets	<u>2,568.45</u>	<u>248,459.12</u>
Total	<u><u>2,568.45</u></u>	<u><u>248,459.12</u></u>

### Note 44. Non-operating income

Items	Current amount incurred	Prior period occurrence	Included in current non-recurring profit or loss
Others	<u>24,624.79</u>	<u>7,442.43</u>	<u>24,624.79</u>
Total	<u><u>24,624.79</u></u>	<u><u>7,442.43</u></u>	<u><u>24,624.79</u></u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 45. Non-operating expenses

Items	Current amount incurred	Prior period occurrence	Included in current non-recurring profit or loss
Donations	5,000.00	–	5,000.00
Losses from scrapping of fixed assets	44,800.62	435,879.00	44,800.62
Others	–	30,322.00	–
Total	<u>49,800.62</u>	<u>466,201.00</u>	<u>49,800.62</u>

### Note 46. Income tax expense

#### 1. Income tax expense statement

Items	Current amount incurred	Prior period occurrence
Current income tax	<u>2,873,053.66</u>	<u>-126,442.99</u>
Total	<u>2,873,053.66</u>	<u>-126,442.99</u>

#### 2. Accounting profit and income tax expense adjustment process

Items	Current amount incurred
Total profit	197,221,882.59
Income tax expense at statutory applicable tax rates	49,305,470.69
The effect of applying different tax rates to subsidiaries	342,788.67
Effect of adjustments to prior period income taxes	–
Impact of non-taxable income	-44,814,042.24
Non-deductible costs, expenses and losses	5,106,440.71
Extra deductions for R&D expenses	-4,484,991.90
Impact of the use of deductible losses from deferred income tax assets not recognised in prior periods	-1,580,581.77
The effect of deductible temporary differences or deductible losses on deferred income tax assets not recognised in the current period	<u>-1,002,030.50</u>
Income tax expense	<u>2,873,053.66</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 47. 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	12,313,446.57	9,670,152.60
Government subsidy	9,071,997.83	4,062,321.13
Other current accounts	230,187.09	692,989.29
Interest income and others	197,290.58	—
Total	<u>21,812,922.07</u>	<u>14,425,463.02</u>

#### 2. Cash paid relating to other operating activities

Items	Current amount incurred	Prior period occurrence
Fees and other expenses paid, etc.	21,313,119.89	26,805,452.46
Total	<u>21,313,119.89</u>	<u>26,805,452.46</u>

#### 3. Cash received relating to other investing activities

Items	Current amount incurred	Prior period occurrence
Interest income	6,312,998.04	3,987,137.71
Total	<u>6,312,998.04</u>	<u>3,987,137.71</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 47. Notes to the statement of cash flows (cont'd)

#### 4. Other cash paid in relation to investing activities

Item	Amount incurred for the current period	Amount incurred for the previous period
Fund lending	<u>120,000,000.00</u>	—
Total	<u><u>120,000,000.00</u></u>	<u>—</u>

#### 5. Cash received relating to other financing activities

Items	Current amount incurred	Prior period occurrence
Discount of bills receivable	—	9,651,350.00
Cash received from letter of credit negotiation	<u>50,000,000.00</u>	—
Total	<u><u>50,000,000.00</u></u>	<u>9,651,350.00</u>

#### 6. Cash paid relating to other financing activities

Items	Current amount incurred	Prior period occurrence
Share repurchase	<b>32,622,709.52</b>	23,872,408.21
Financing service charge	<b>1,292,166.67</b>	1,890,347.22
Bills discounted and letters of credit due for negotiation	<u>60,000,000.00</u>	—
Total	<u><u>93,914,876.19</u></u>	<u>25,762,755.43</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 48. 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	<b>194,348,828.93</b>	160,014,984.91
Plus: credit impairment loss	<b>9,796,311.24</b>	-4,435,576.05
Provision for impairment of assets	<b>8,802,178.61</b>	236,979.91
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	<b>28,894,996.47</b>	34,380,431.70
Amortisation of intangible assets	<b>3,159,080.60</b>	2,785,231.16
Amortization of long-term prepaid expenses	-	-
Loss on disposal of fixed assets, intangible assets and other long- term assets (Revenue is filled with "-")	<b>-2,568.45</b>	-248,459.12
Loss from retirement of fixed assets (gains are filled with "-")	<b>-24,624.79</b>	435,879.00
Loss on changes in fair value (gains are filled with "-")	<b>23,631,653.19</b>	-5,229,663.42
Finance expenses (revenue is filled with "-")	<b>-23,525,489.41</b>	4,573,049.70
Investment losses (gains are filled with "-")	<b>-45,645,831.78</b>	-49,657,235.96
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 "-")	<b>85,120,357.69</b>	37,855,239.88
Decrease in operating receivables (increase is indicated by "-")	<b>-33,236,512.34</b>	-18,989,379.36
Increase in operating payables (decrease is indicated by "-")	<b>-10,586,126.64</b>	32,299,595.12
Others	-	-
Net cash flows from operating activities	<b>240,732,253.32</b>	194,021,077.47
2. Net changes in cash and cash equivalents		
Closing balance of cash	<b>224,342,437.81</b>	374,620,946.62
Less: opening balance of cash	<b>374,620,946.62</b>	187,868,144.29
Plus: ending balance of cash equivalents	-	-
Less: opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	<b>-150,278,508.81</b>	186,752,802.33



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 48. Supplementary information to the statement of cash flows (cont'd)

#### 2. Net cash received from the disposal of the subsidiaries during the year

Items	Amount
Cash or cash equivalents received from the disposal of subsidiaries in the current period	11,420,000.00
Of which: Yantai Andre Juice Co., Ltd.	11,420,000.00
Less: cash and cash equivalents held by the subsidiary on the day when control is lost	221,387.81
Of which: Yantai Andre Juice Co., Ltd.	221,387.81
Plus: cash or cash equivalents received in the current period from the disposal of the subsidiary in the previous period	-
Net cash received from disposal of subsidiaries	<u><u>11,198,612.19</u></u>

#### 3. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	224,342,437.81	374,620,946.62
Of which: cash on hand	6,289.65	5,383.92
bank deposits available for payment at any time	224,336,148.16	374,615,562.70
II. Balance of cash and cash equivalents at the end of the period	<u><u>224,342,437.81</u></u>	<u><u>374,620,946.62</u></u>

### Note 49. Assets with limited ownership or use rights

Items	Closing balance	Reason
Cash at bank and cash on hand	<u>10,000,000.00</u>	Letter of credit deposits
Total	<u><u>10,000,000.00</u></u>	

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## V Notes to key items in the consolidated financial statements (cont'd)

### Note 50. 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	–	–	<b>120,393,421.07</b>
Of which: USD	<b>17,249,412.39</b>	6.9646	<b>120,135,257.53</b>
Euro	<b>0.05</b>	7.2197	<b>0.36</b>
Hong Kong dollar	<b>288,999.41</b>	0.8933	<b>258,163.17</b>
Accounts receivable	–	–	<b>231,474,869.42</b>
Of which: USD	<b>33,235,917.27</b>	6.9646	<b>231,474,869.42</b>
Other receivables	–	–	<b>327,655.88</b>
Of which: USD	<b>47,045.90</b>	6.9646	<b>327,655.88</b>
Accounts payable	–	–	<b>9,588,572.67</b>
Of which: USD	<b>1,376,758.56</b>	6.9646	<b>9,588,572.67</b>
Other payables	–	–	<b>7,556.66</b>
Of which: USD	<b>495.00</b>	6.9646	<b>3,447.48</b>
Hong Kong dollar	<b>4,600.00</b>	0.8933	<b>4,109.18</b>

### Note 51. 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 other income	<b>9,070,315.49</b>	9,070,315.49	See Note 38 in Note V for details
Total	<b>9,070,315.49</b>	9,070,315.49	

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VI Changes in the scope of consolidation

### (I) Disposal of subsidiaries

#### 1. Losing control of a subsidiary through disposal in a single transaction

The name of subsidiaries	Disposal price	Percentage of equity disposed of (%)	Way of disposal	Time point of losing control	Basis for determining the point when the control is lost	The difference between the disposal price and the share of the subsidiary's net assets at the consolidated financial statement level corresponding to the disposal investment
Yantai Andre Juice Co., Ltd.	38,070,000.00	75.00	Equity transfer	2022-12-23	Complete the registration procedures of industrial and commercial change	797,825.57

Continued:

The name of subsidiaries	Proportion of the remaining equity on the date of loss of control (%)	Book value of the remaining equity on the date of loss of control	Fair value of the remaining equity on the date of loss of control	Gain or loss on remeasurement of remaining equity at fair value	Methodology and key assumptions for determining the fair value of the remaining equity interest at the date of loss of control	Amount transferred from other comprehensive income related to equity investments in former subsidiaries to the investment income or loss
Yantai Andre Juice Co., Ltd.	25	11,927,635.75	11,927,635.75	265,941.86	Assuming that the market fluctuates little in the short term and there is no significant change in the company's operating condition and financial condition, the net assets continuously calculated from the base date of evaluation on 30 November 2022 to the time when control is lost multiplied by the remaining shareholding ratio.	-

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VII Interests in other entities

### (I) Equity in subsidiaries

#### 1. Composition of enterprise groups

Name of subsidiary	Type	Place of registration and place of business	Business nature	Registered		Actual contribution at the end of the period	Shareholding (%)		Method of obtaining
				capital	Scope of business		Direct	Indirect	
Baishui Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shaanxi Province, China	Production and sale of concentrated fruit juice	USD17,125,000.00	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.	USD17,125,000.00	74.44	25.56	Acquisition of establishment
Yantai Longkou Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shandong province, China	Production and sale of concentrated fruit juice	USD22,860,000.00	Production of fruit and vegetable juices and sale of self-produced products	USD22,860,000.00	39.66	60.34	Acquisition of establishment
Xuzhou Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Jiangsu Province, China	Production and sale of concentrated fruit juice	USD10,000,000.00	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.	USD10,000,000.00	75.00	25.00	Acquisition of establishment
Andre Juice Co., Ltd.	Limited liability company	British Virgin Islands	Investment holding	USD50,000.00	Investment holding.	USD1.00	100.00	-	Acquisition of establishment
North Andre Juice (USA), Inc.	Limited liability company	United States of America	Concentrated fruit juice sales	USD1,900,000.00	Sales of concentrated juice.	USD1,900,000.00	-	100.00	Acquisition of establishment

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VII Interests in other entities (cont'd)

### (I) Equity 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	
Dalian Andre Juice Co., Ltd.	Limited liability company	Liaoning province, China	Production and sale of concentrated fruit juice	RMB143,000,000.00	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.	RMB143,000,000.00	83.22	16.78	Acquisition of establishment
Yongji Andre Juice Co., Ltd.	Limited liability company (Sino-foreign joint venture)	Shanxi Province, China	Production and sale of concentrated fruit juice	USD12,960,000.00	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.	USD12,960,000.00	75.00	25.00	Acquisition by consolidation under non-uniform control
Anyue Andre Lemon Industry Technology Co., Ltd.	Limited liability company	Sichuan Province, China	Production and sale of concentrated fruit juice	RMB50,000,000.00	Manufacturing and sales of lemon juice, orange juice, lemon oil, orange oil, lemon essence, orange essence, pomace, etc.	RMB50,000,000.00	-	100.00	Acquisition by consolidation under non-uniform control

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VII Interests in other entities (cont'd)

### (I) Equity 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	
Liquan Yitong Juice Co., Ltd.	Limited liability company	Shaanxi Province, China	Production and sale of concentrated fruit juice	RMB100,000,000.00	Production and sale of various kinds of fruit and vegetable juices and beverages.	RMB100,000,000.00	-	100.00	Acquisition by consolidation under non-uniform control
Yantai Andre Drinking Water Co., Ltd.	Limited liability company (foreign-invested, non-solely-owned)	Shandong province, China	Beverage production and sales	USD5,000,000.00	Ordinary goods storage service beverage production; Food business.	USD1,750,000.00	50.00	35.00	Acquisition of establishment

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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.

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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII Disclosure of risks associated with financial instruments (cont'd)

### (I) Credit risk (cont'd)

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.

As at 31 December 2022, the carrying amounts and expected credit impairment losses of the relevant assets are as follows:

<b>Aging</b>	<b>Book balance</b>	Impairment allowance
Accounts receivable	<b>237,813,648.40</b>	17,376,812.53
Other receivables	<b>28,265,172.45</b>	1,469,704.15
Total	<b>266,078,820.85</b>	18,846,516.68

The Company's principal customers are Coca-Cola, Pepsi-Cola, Kraft, Nestle, Yili, Wahaha, Nongfu Spring, etc. 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.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII Disclosure of risks associated with financial instruments (cont'd)

### (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.

As at 31 December 2022, 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						Total
	Immediate repayment	Within 1 month	1-3 months	3 months -1 year	1-5 years	More than 5 years	
Non-derivative financial liabilities							
Short-term borrowings	-	-	-	131,166,763.89	-	-	131,166,763.89
Accounts payable	60,082,606.79	-	-	-	-	-	60,082,606.79
Other payables	1,485,027.30	-	-	-	-	-	1,485,027.30
Long-term payables	-	-	-	-	-	1,655,590.00	1,655,590.00
Subtotal, non-derivative financial liabilities	<u>61,567,634.09</u>	<u>-</u>	<u>-</u>	<u>131,166,763.89</u>	<u>-</u>	<u>1,655,590.00</u>	<u>194,389,987.98</u>
Total	<u>61,567,634.09</u>	<u>-</u>	<u>-</u>	<u>131,166,763.89</u>	<u>-</u>	<u>1,655,590.00</u>	<u>194,389,987.98</u>

### (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.

# Notes to the Financial Statements

(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. It is confirmed that the forward foreign exchange contracts of all trading financial assets have expired before 31 December 2022. 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 V, Note 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 at 31 December 2022, 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			Total
	Dollar item	Euro item	Hong Kong dollar item	
Foreign currency financial assets:				
Cash at bank and cash on hand	120,135,257.53	0.36	258,163.17	120,393,421.06
Account receivables	231,474,869.42	-	-	231,474,869.42
Other receivables	327,655.88	-	-	327,655.88
Subtotal	<u>351,937,782.83</u>	<u>0.36</u>	<u>258,163.17</u>	<u>352,195,946.36</u>
Foreign currency financial liabilities:				
Accounts payable	9,588,572.67	-	-	9,588,572.67
Other payables	3,447.48	-	4,109.18	7,556.66
Subtotal	<u>9,592,020.15</u>	<u>-</u>	<u>4,109.18</u>	<u>9,596,129.33</u>

- (3) Sensitivity analysis:

As at 31 December 2022, the Company would increase or decrease net profit by approximately RMB17,129,990.85 (approximately RMB13,944,166.76 for 2021) 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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 2022, 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 RMB67,702.06 (The Company have increased or decreased by approximately RMB64,583.33 in 2021.).

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 2022, 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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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 investment in equity instruments, 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.

	<b>Investment in equity instruments book value</b>	<b>Increase in net profit or loss (decrease)</b>	<b>Increase (decrease) in net after tax in other comprehensive income</b>	<b>Total shareholders' equity Increase (decrease)</b>
the year of 2022	153,896,854.51	7,694,842.73	–	7,694,842.73
the year of 2021	124,108,524.00	6,205,426.20	–	6,205,426.20

## 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 2022. 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.

# Notes to the Financial Statements

(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			Total
	Level 1	Level 2	Level 3	
Subtotal of financial assets at fair value through profit or loss	581,808,314.35	–	–	581,808,314.35
Assets Management Plan	99,189,910.28	–	–	99,189,910.28
Funds	25,480,000.00	–	–	25,480,000.00
Investment in equity instruments	153,896,854.51	–	–	153,896,854.51
Net worth financial products	303,241,549.56	–	–	303,241,549.56
<b>Total assets</b>	<b>581,808,314.35</b>	<b>–</b>	<b>–</b>	<b>581,808,314.35</b>

### (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.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Enterprises that have a significant impact on the Company (i)
Guangzhou President Enterprises Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd. (i)
Chengdu President Enterprise Food Co., Ltd.	Subsidiaries of President Enterprise Co., Ltd. (i)
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.	An enterprise that is significantly affected by the ultimate controlling party
Yantai Hengtong Heat Co., Ltd.	Enterprises under the same ultimate control
Liquan Yitong Heat Co., Ltd.	Enterprises under the same ultimate control
Yantai Yitong Biological Energy 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 Xiping Jianan 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 Group
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
Yantai Andre Agricultural Technology 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

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## X Related parties and related party transactions (cont'd)

### (III) Other related parties (cont'd)

- (i) President Enterprises (China) Investment Co., Ltd. exerts effective voting rights through its subsidiaries Chengdu President Enterprise Food Co., Ltd. and Guangzhou President Enterprises Co., Ltd. at the general meeting of shareholders of the Company and its representatives on the board of directors of the Company, which has a significant impact on the Company.

### (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 Biology Heat Co., Ltd.	Purchase of steam, electricity	<b>19,717,371.32</b>	16,899,950.19
Yantai Andre Construction and Installation Engineering Co., Ltd.	Purchases of service	<b>18,887,385.47</b>	14,550,140.15
Yantai Hengda Cement Co., Ltd.	Purchase of products	-	57.08
Yantai DSM Andre Pectin Co., Ltd.	Purchase of products	<b>288,599.65</b>	111,627.23
Yantai Andre Holiday Hotel Plaza Limited	Purchases of service	<b>171,192.18</b>	127,783.86
Kunlong Spring Resort Ltd	Purchases of service	<b>443,111.23</b>	209,888.00
Yantai Hengtong Heat Co., Ltd.	Purchase of products	<b>2,017,225.05</b>	5,133.79
Yantai Andre Agricultural Technology Co., Ltd.	Purchase of products	-	16,700.00
Yantai Andre Property Management Co., Ltd.	Purchase of products	<b>194.17</b>	-
Total		<b>41,525,079.07</b>	31,921,280.30

# Notes to the Financial Statements

(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	32,773,189.51	20,067,106.17
President Enterprises (China) Investment Co., Ltd. and its subsidiaries	Rendering of service	1,522,261.48	782,571.51
Yantai DSM Andre Pectin Co., Ltd.	Sales of goods	19,022,345.11	25,162,138.83
Yantai DSM Andre Pectin Co., Ltd.	Sales of materials	188.08	48,064.91
Yantai DSM Andre Pectin Co., Ltd.	Rendering of service	1,026,034.36	498,840.00
Yantai Hengtong Heat Co., Ltd.	Sales of goods	-	26,848.68
Yantai Hengtong Heat Co., Ltd.	Sales of assets	-	699.50
Yantai Yitong Biological Energy Co., Ltd.	Sales of goods	37,536.28	49,812.60
Yantai Yangma Island Andre Holiday Co., Ltd.	Sales of goods	5,107.96	3,868.14
Yantai Andre Real Estate Development Co., Ltd.	Rendering of service	195,373.50	51,018.87
Yantai Andre Real Estate Development Co., Ltd.	Sales of goods	11,814.16	164,308.48
Yantai Andre Property Management Co., Ltd.	Sales of goods	22,547.79	11,968.44
Yantai Andre Property Management Co., Ltd.	Rendering of service	272.34	-
Yantai Andre Construction and Installation Engineering Co., Ltd.	Sales of goods	5,384.07	7,239.83
Yantai Andre Construction and Installation Engineering Co., Ltd.	Rendering of service	144,946.16	28,239.87
Yantai Andre Construction and Installation Engineering Co., Ltd.	Selling materials	1,200,000.00	-
Yantai Hengda Cement Co., Ltd.	Sales of goods	3,589.38	4,903.54
Yantai Hengli Concrete LLC.	Sales of goods	4,693.80	6,942.48
Mitsui Products Co., Ltd. and its subsidiaries	Sales of goods	76,365,368.56	51,968,039.02
Yantai Andre Holiday Hotel Plaza Limited	Sales of goods	25,430.99	32,636.29
Kunlong Spring Resort Ltd	Selling assets	42,869.91	45,658.41
Yantai Andre Agricultural Technology Co., Ltd.	Sales of goods	-	2,246.02
Total		<b>132,408,953.44</b>	<b>98,963,151.59</b>



# Notes to the Financial Statements

(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	<b>876,839.99</b>	828,597.43
Yantai Andre Real Estate Development Co., Ltd.	House lease	<b>162,240.00</b>	99,229.36
Yantai Andre Construction and Installation Engineering Co., Ltd.	House lease	<b>209,357.64</b>	213,474.01
Total		<b>1,248,437.63</b>	1,141,300.80

#### 5. Related party guarantees

(1) The Company act as guaranteed party

Guarantor	Guaranteed amount	Date of commencement	Date of maturity	Whether the guarantee has been fulfilled
Shandong Andre Group Co., Ltd.	<b>10,000,000.00</b>	16 November 2022	16 November 2025	No
Shandong Andre Group Co., Ltd.	<b>50,000,000.00</b>	27 May 2022	1 July 2023	No
Shandong Andre Group Co., Ltd.	<b>20,000,000.00</b>	31 August 2022	31 August 2026	No
Shandong Andre Group Co., Ltd.	<b>30,000,000.00</b>	18 October 2022	18 October 2026	No
Total	<b>110,000,000.00</b>			

Note: Shandong Andre Group Co., Ltd. provided domestic L/C guarantee for the Company on 27 May 2022, with a limit of RMB150,000,000.00. The Company actually issued domestic L/C of RMB50,000,000.00.

#### 6. Remuneration of key management personnel

Items	Current amount incurred	Prior period occurrence
Remuneration of key management personnel	<b>3,612,944.08</b>	3,205,998.80

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## X Related parties and related party transactions (cont'd)

### (IV) Related party transaction (cont'd)

#### 7. Receivables and payables from related parties

##### (1) Amounts due from related parties of the Company

Items	Affiliated party	Closing balance		Opening balance	
		Book balance	Bad-debt provision	Book balance	Bad-debt provision
Receivables					
	Yantai DSM Andre Pectin Co., Ltd.	39,470.29	2,368.22	3,703,011.46	222,180.69
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	6,756,189.34	405,371.36	2,072,835.17	124,370.11
	Yantai Tongli Beverage Industry Co., Ltd.	-	-	92.80	5.57
Other receivables					
	Yantai Yitong Biological Energy Co., Ltd.	13,244.00	662.20	-	-
	President Enterprises (China) Investment Co., Ltd. and its subsidiaries	30,000.00	6,000.00	130,000.00	8,000.00

##### (2) The Company's payables to related parties

Items	Affiliated party	Closing balance	Opening balance
Accounts payable			
	Yantai Andre Construction and Installation Engineering Co., Ltd.	310,069.23	1,387,429.56
	Yantai Yitong Biological Energy Co., Ltd.	753,705.96	187,734.03
	Yantai Andre Agricultural Technology Co., Ltd.	-	16,700.00
	Yantai DSM Andre Pectin Co., Ltd.	13,200.00	77,960.53
Contract liabilities			
	Yantai DSM Andre Pectin Co., Ltd.	7,381.81	4,704.23
Other payables			
	Yantai Yitong Biological Energy Co., Ltd.	-	5,158.48
	Yantai DSM Andre Pectin Co., Ltd.	-	14,728.00

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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 at 31 December 2021, except for the paid in capital contribution of Andre Juice Co., Ltd., the contribution of other shareholders has not been made yet, so the Company is required to fulfill its obligation to contribute USD2.5 million to Yantai Andre Drinking Water Co., Ltd.

Save for the above commitments, as at 31 December 2022, the Company had no other significant commitments that should be disclosed but not disclosed.

### (II) Significant contingencies existing at the balance sheet date

1. *Open a letter of credit*

On 27 May 2022, the Company issued domestic letters of credit of RMB10,000,000.00 and RMB40,000,000.00 to its subsidiaries Dalian Andre Juice Co., Ltd. and Yongji Andre Juice Co., Ltd. respectively. The letters of credit are guaranteed by the related party Shandong Andre Group Co., Ltd., with a guarantee amount of RMB150,000,000.00. The above letters of credit will expire on 1 July 2023 and the subsidiaries shall negotiate and pay upon the receipt of letters of credit.

Save for the above contingencies, as at 31 December 2022, the Company had no other significant contingencies that should be disclosed but not disclosed.

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII Subsequent events

### (I) Profit distribution

Profits or dividends to be distributed	<u>35,770,000.00</u>
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### (II) 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.

# Notes to the Financial Statements

(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		Social security contributions and Housing fund		Total	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Executive Director</b>								
Wang An	80,000.00	70,000.00	-	-	-	-	80,000.00	70,000.00
Zhang Hui	80,000.00	70,000.00	475,906.62	473,333.28	16,310.64	14,169.84	572,217.26	557,503.12
Wang Yanhui	80,000.00	70,000.00	246,106.70	202,000.00	16,310.64	14,169.84	342,417.34	286,169.84
<b>Non-executive director</b>								
Liu Tsungyi	80,000.00	70,000.00	-	-	-	-	80,000.00	70,000.00
<b>Independent non-executive Directors</b>								
Jiang Hongqi	33,333.34	70,000.00	-	-	-	-	33,333.34	70,000.00
Li Yao	80,000.00	70,000.00	-	-	-	-	80,000.00	70,000.00
Gong Fan	46,666.66	-	-	-	-	-	46,666.66	-
Wang Yan	46,666.66	-	-	-	-	-	46,666.66	-
Li Wei	33,333.34	70,000.00	-	-	-	-	33,333.34	70,000.00
<b>Supervisors</b>								
Wang Kun	20,833.33	43,334.00	-	-	-	-	20,833.33	43,334.00
Dai Liying	8,333.33	43,334.00	-	-	-	-	8,333.33	43,334.00
Wang Zhiwu	20,833.33	43,334.00	249,124.05	213,293.34	16,310.64	14,169.84	286,268.02	270,797.18
Meng Xianglin	41,666.67	-	108,534.00	-	15,676.72	-	165,877.39	-
Huang Lianbo	29,166.67	-	269,318.31	-	16,310.64	-	314,795.62	-
Wang Bo	29,166.67	-	239,313.11	-	16,310.64	-	284,790.42	-
Total	<u>710,000.00</u>	<u>620,002.00</u>	<u>1,588,302.79</u>	<u>888,626.62</u>	<u>97,229.92</u>	<u>42,509.52</u>	<u>2,395,532.71</u>	<u>1,551,138.14</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIII Description of other important matters (cont'd)

### (I) Other important transactions and events that have an impact on the decision-making of investors (cont'd)

#### 2. Highest-paid individuals of the Company

The five highest paid persons of the Company this year include two directors and three supervisors. Their remuneration has been reflected in the remuneration of directors and supervisors.

Note 1: In 2022, the Company did not pay or should pay the two individuals with the highest emoluments any amount to compensate them for losing the position of any manager of other subsidiaries in the Company.

Note 2: In 2022, the Company has no amount of money that has been paid or should be paid to the two individuals with the highest emoluments in order to promote them to join or when they join the Company.

#### 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	<u>5,677,795.66</u>	<u>13,956,000.00</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company

### Note 1. Accounts receivable

#### 1. Disclosure of trade receivables by age

Aging	Closing balance	Opening balance
Within 6 months (inclusive)	<b>92,374,404.77</b>	105,883,188.02
6 months to 1 year (inclusive)	<b>135,583,379.47</b>	70,452,949.18
Subtotal	<b>227,957,784.24</b>	176,336,137.20
Less: loss allowance	<b>14,252,275.60</b>	11,766,411.69
Total	<b>213,705,508.64</b>	164,569,725.51

#### 2. Classified disclosure by bad debt provision accrual method

Type	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual proportion (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	<b>227,957,784.24</b>	<b>100.00</b>	<b>14,252,275.60</b>	<b>6.25</b>	<b>213,705,508.64</b>
Where: Portfolio of amounts due from customers	<b>227,957,784.24</b>	<b>100.00</b>	<b>14,252,275.60</b>	<b>6.25</b>	<b>213,705,508.64</b>
Total	<b>227,957,784.24</b>	<b>100.00</b>	<b>14,252,275.60</b>	<b>6.25</b>	<b>213,705,508.64</b>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 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		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Accounts receivable for which ECLs are accrued individually	-	-	-	-	-
Accounts receivable with expected credit losses by portfolio	176,336,137.20	100.00	11,766,411.69	6.67	164,569,725.51
Where: Portfolio of amounts due from customers	176,336,137.20	100.00	11,766,411.69	6.67	164,569,725.51
<b>Total</b>	<b>176,336,137.20</b>	<b>100.00</b>	<b>11,766,411.69</b>	<b>6.67</b>	<b>164,569,725.51</b>

#### 3. Accounts receivable with expected credit losses by portfolio

(1) Portfolio of amounts due from customers

Overdue time	Closing balance		
	Book balance	Bad-debt provision	Accrual percentage (%)
Not past due	223,852,008.94	13,431,120.54	6.00
Within 30 days overdue	4,105,775.30	821,155.06	20.00
<b>Total</b>	<b>227,957,784.24</b>	<b>14,252,275.60</b>	<b>6.25</b>

4. As of 31 December 2022, the Company has no bad debt written off, and there are no accounts receivable with bad debt reserves reversed or recovered.



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 1. Accounts receivable (cont'd)

5. Five largest accounts receivable by debtor at the end of the year

	Closing balance	Percentage of accounts receivable ending balance (%)	Provision for bad debts has been made
Summary of the top five accounts receivable by debtor in the closing balance	<u><b>179,620,208.90</b></u>	<u>78.80</u>	<u>10,877,331.61</u>

### Note 2. Other receivables

Items	Closing balance	Opening balance
Dividends receivable	<b>25,699,658.48</b>	25,699,658.48
Other receivables	<u><b>88,955,645.51</b></u>	<u>135,616,562.10</u>
Total	<u><b>114,655,303.99</b></u>	<u>161,316,220.58</u>

(I) Dividends receivable

1. Dividends receivable

Investee	Closing balance	Opening balance
Andre Juice Co., Ltd.	<u><b>25,699,658.48</b></u>	<u>25,699,658.48</u>
Total	<u><b>25,699,658.48</b></u>	<u>25,699,658.48</u>

2. Significant dividends receivable aged more than 1 year

Investee	Closing balance	Aging	Reasons for recovery	Whether the impairment and the reasons
Andre Juice Co., Ltd.	<u><b>25,699,658.48</b></u>	More than 3 years	Not yet paid	No. Dividends from subsidiaries can be paid at any time.
Total	<u><b>25,699,658.48</b></u>			

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 2. Other receivables (cont'd)

(II) Other receivables

#### 1. Disclosure of other receivables by age

Aging	Closing balance	Opening balance
Within 1 year	<b>90,299,855.64</b>	70,019,605.16
1-2 years	–	19,535,674.32
2-3 years	–	7,745,227.39
3-4 years	–	2,184,142.08
4-5 years	–	3,149,898.48
More than 5 years	–	32,993,514.67
Subtotal	<b>90,299,855.64</b>	135,628,062.10
Less: loss allowance	<b>1,344,210.13</b>	11,500.00
Total	<b>88,955,645.51</b>	135,616,562.10

#### 2. Breakdown by nature of amounts

Nature of money	Closing balance	Opening balance
Consolidated subsidiaries	<b>63,415,653.12</b>	135,498,062.10
Deposits, petty cash, cash pledge	<b>130,000.00</b>	130,000.00
Equity disposal receivable	<b>26,650,000.00</b>	–
Others	<b>104,202.52</b>	–
Total	<b>90,299,855.64</b>	135,628,062.10

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 2. Other receivables (cont'd)

(II) Other receivables (cont'd)

3. Disclosed in three stages of impairment of financial assets

Items	Closing balance			Opening balance		
	Book balance	Bad-debt	Book value	Book balance	Bad-debt	Book value
		provision			provision	
Stage I	90,299,855.64	1,344,210.13	88,955,645.51	135,628,062.10	11,500.00	135,616,562.10
Total	90,299,855.64	1,344,210.13	88,955,645.51	135,628,062.10	11,500.00	135,616,562.10

4. Classified disclosure by bad debt provision accrual method

Type	Closing balance				
	Book balance		Bad-debt provision		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	90,299,855.64	100.00	1,344,210.13	1.49	88,955,645.51
Where: Consolidated Related Parties	63,415,653.12	70.23	-	-	63,415,653.12
Low credit risk portfolios such as margin and reserve fund portfolios	26,884,202.52	29.77	1,344,210.13	5.00	25,539,992.39
Total	90,299,855.64	100.00	1,344,210.13	1.49	88,955,645.51

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 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		Book value
	Amount	Percentage (%)	Amount	Accrual percentage (%)	
Other receivables for which expected credit losses are accrued individually	-	-	-	-	-
Other receivables for which ECLs are accrued by portfolio	135,628,062.10	100.00	11,500.00	0.01	135,616,562.10
Where: Consolidated Related Parties	135,498,062.10	99.90	-	-	135,498,062.10
Low credit risk portfolios such as margin and reserve fund portfolios	130,000.00	0.10	11,500.00	8.85	118,500.00
Total	135,628,062.10	100.00	11,500.00	0.01	135,616,562.10

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 2. Other receivables (cont'd)

(II) Other receivables (cont'd)

5. Other accounts receivable for anticipated credit losses on a portfolio basis

(1) Portfolio with related parties within the consolidation scope

Overdue days	Closing balance		
	Book balance	Bad-debt provision	Percentage (%)
Within 1year	63,415,653.12	-	-
Total	63,415,653.12	-	-

(2) Portfolio with low credit risk, such as margin and reserve fund portfolio

Aging	Closing balance		
	Book balance	Bad-debt provision	Percentage (%)
Within 1year	26,884,202.52	1,344,210.13	5.00
Total	26,884,202.52	1,344,210.13	5.00

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 2. Other receivables (cont'd)

(II) Other receivables (cont'd)

#### 6. Provision for bad debts of other receivables

Bad-debt provision	Stage one	Stage two	Stage three	Total
	Expected credit loss in the next 12 months	Expected credit loss over the whole duration (No credit impairment)	Expected credit loss over the whole duration (Credit impairment occurred)	
Beginning balance	11,500.00	-	-	11,500.00
Provision in current period	1,332,710.13	-	-	1,332,710.13
Return in current period	-	-	-	-
Transfer in current period	-	-	-	-
Write off in current period	-	-	-	-
<b>Closing balance</b>	<b>1,344,210.13</b>	<b>-</b>	<b>-</b>	<b>1,344,210.13</b>

Note: As at 31 December 2022, the company has no other receivables whose bad debt reserves have been reversed, recovered or written off in the current period.

#### 7. Five largest other receivables by debtor at the end of the year

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	53,772,037.69	Within 1 year	59.55	-
Yantai Muping Huatai Furniture Packaging Co., Ltd.	Equity disposal receivable	26,650,000.00	Within 1 year	29.51	1,332,500.00
Andre Juice Co., Ltd.	Receivables from subsidiaries	9,616,870.13	Within 1 year	10.65	-
Tianjin Wahaha Hongzhen Food and Beverage Trading Co., Ltd.	Deposits	100,000.00	Within 1 year	0.11	5,000.00
Qu Yunjiang	Pretty cash	20,000.00	Within 1 year	0.02	1,000.00
Total		90,158,907.82		99.84	1,338,500.00

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 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	<u>446,342,158.14</u>	<u>-</u>	<u>446,342,158.14</u>	465,462,158.14	35,667,333.86	429,794,824.28
Total	<u>446,342,158.14</u>	<u>-</u>	<u>446,342,158.14</u>	465,462,158.14	35,667,333.86	429,794,824.28

#### 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	63,000,000.00	-	119,000,000.00	-	-
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.	<u>52,120,000.00</u>	<u>52,120,000.00</u>	<u>-</u>	<u>52,120,000.00</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>465,462,158.14</u>	<u>465,462,158.14</u>	<u>63,000,000.00</u>	<u>82,120,000.00</u>	<u>446,342,158.14</u>	<u>-</u>	<u>-</u>

# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV Notes to major items in the financial statements of the parent company (cont'd)

### Note 4. Operating income and operating costs

#### 1. Operating income, operating costs

Items	Current amount incurred		Prior period occurrence	
	Income	Cost	Income	Cost
Principal businesses	<b>770,683,053.36</b>	<b>742,758,492.11</b>	614,544,777.24	594,332,873.97
Other business	<b>12,965,059.09</b>	<b>9,385,099.01</b>	14,138,133.28	11,486,578.34
Total	<b>783,648,112.45</b>	<b>752,143,591.12</b>	628,682,910.52	605,819,452.31

### Note 5. Investment income

Items	Current amount incurred	Prior period occurrence
Long-term equity investment income accounted for by cost method	<b>43,766,159.43</b>	—
Investment income from disposal of long-term equity investment	<b>8,065,731.55</b>	—
Investment income in the period in which financial assets held for trading are held	<b>1,441,812.50</b>	3,647,894.50
Investment income from disposal of financial assets held for trading	<b>43,055,640.56</b>	45,924,566.80
Investment income in the period in which other debt investments are held	—	433,424.66
Total	<b>96,329,344.04</b>	50,005,885.96



# Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

## XV Supplementary information

### (I) List of current non-recurring profit and loss

Items	Amount
Profit or loss on disposal of non-current assets	-42,232.17
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)	9,070,315.49
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	23,088,025.42
Other non-operating income and expenses other than those mentioned above	-19,624.79
Less: income tax impact	<u>2,873,053.66</u>
Total	<u><u>29,223,430.29</u></u>

### (II) Return on net assets and earnings per share

Profit for the Reporting Period	Weighted mean Return on net assets (%)	<u>Earnings per share</u>	
		Basic earnings per share	Dilute earnings per share
Net profit attributable to ordinary shareholders of the Company	8.20	0.54	0.54
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	<u>6.97</u>	<u>0.46</u>	<u>0.46</u>