HAISHENG

China Haisheng Juice Holdings Co.,Ltd.

中國海升果汁控股有限公司

Stock Code : 359

Annual Report 2014

CONTENTS

Corporate Information

STOCK CODE
359

EXECUTIVE DIRECTORS:
Mr. Gao Liang *(Chairman)*
Mr. Zhang Xiang
Mr. Ding Li
Mr. Zhao Chongjun

INDEPENDENT NON-EXECUTIVE DIRECTORS:
Mr. Li Yuanrui
Mr. Zhao Boxiang
Mr. Chan Bing Chung

COMPANY SECRETARY
Mr. Terence Sin Yuen Ko, FCCA

AUTHORISED REPRESENTATIVES
Mr. Gao Liang
Mr. Terence Sin Yuen Ko, FCCA

AUDIT COMMITTEE MEMBERS
Mr. Chan Bing Chung *(Chairman)*
Mr. Zhao Boxiang
Mr. Li Yuanrui

REMUNERATION COMMITTEE MEMBERS
Mr. Zhao Boxiang *(Chairman)*
Mr. Li Yuanrui
Mr. Chan Bing Chung

NOMINATION COMMITTEE MEMBERS
Mr. Gao Liang *(Chairman)*
Mr. Li Yuanrui
Mr. Zhao Boxiang
Mr. Chan Bing Chung

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Computershare Hong Kong Investor Services Limited
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PRINCIPAL BANKERS
Agriculture Bank of China
The Export-Import Bank of China
China Merchants Bank

AUDITORS
Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISER
Kwok Yih & Chan
Suite 2103-05
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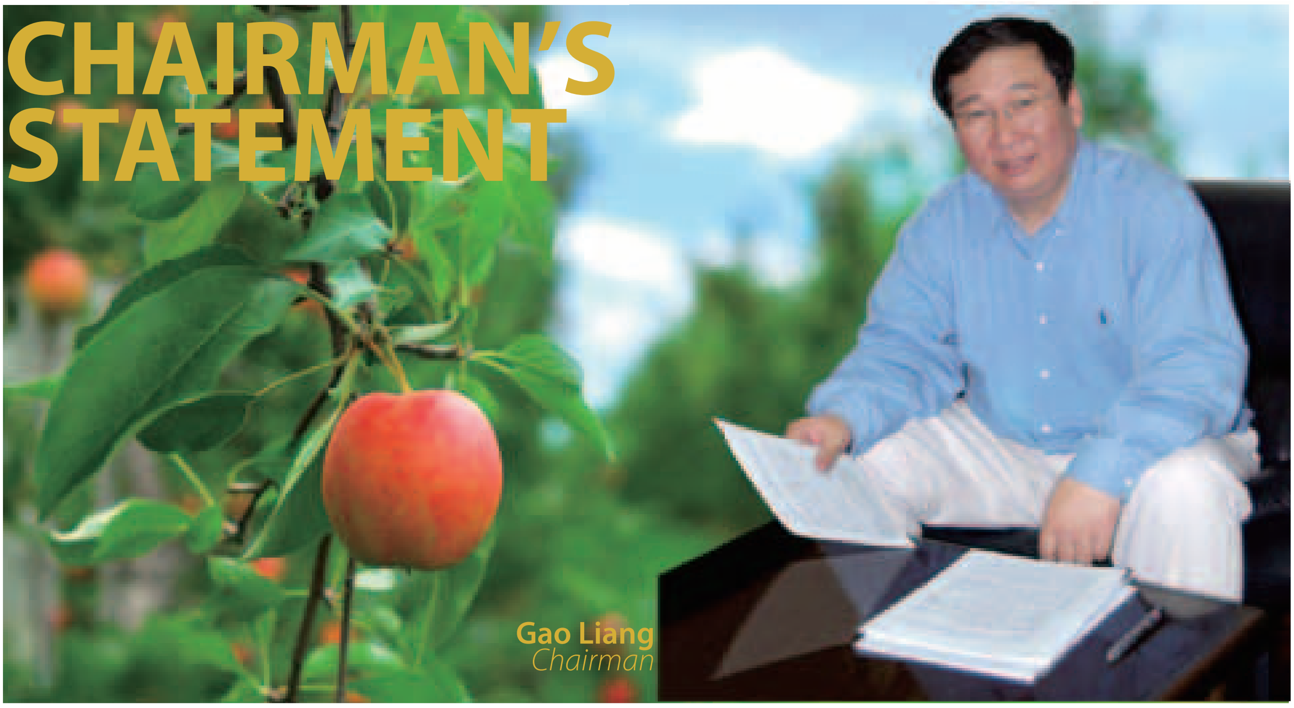
Hong Kong

Financial Highlights

	As at 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**1,635,560**	1,466,152	1,457,497	1,470,192	1,505,915
Net-current (liabilities)/assets	**52,824**	(5,984)	(257,163)	(276,579)	113,366
Non-current liabilities	**698,606**	(495,749)	(179,487)	(92,850)	(646,566)
	2,386,990	964,419	1,020,847	1,100,763	972,715
Share capital	**13,039**	13,039	13,039	13,039	13,039
Reserves	**974,434**	949,233	1,005,504	1,085,213	944,971
Equity attributable to owners of the Company	**987,473**	962,272	1,018,543	1,098,252	958,010
Non-controlling interests	**2,305**	2,147	2,304	2,511	14,705
Total equity	**989,778**	964,419	1,020,847	1,100,763	972,715

	For the year ended 31 December				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,286,981**	1,669,210	1,918,330	2,106,423	1,403,788
(Loss) profit before tax	**24,631**	(52,831)	(52,361)	172,606	56,647
Income tax expense	**(1,428)**	(3,367)	(3,764)	(9,714)	(3,382)
(Loss) profit for the year	**23,203**	(56,198)	(56,125)	162,892	53,265
(Loss) profit for the year attributable to:					
Owners of the Company	**23,045**	(56,041)	(55,918)	161,983	53,829
Non-controlling interests	**158**	(157)	(207)	909	(564)
	23,203	(56,198)	(56,125)	162,892	53,265

CHAIRMAN'S STATEMENT



Gao Liang
Chairman

Dear shareholders,

On behalf of the board (the "Board") of directors of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice") or (the "Company"), together with its subsidiaries collectively (the "Group"), I hereby present the annual report of the Group for the year ended 31 December 2014.

BUSINESS HIGHLIGHTS AND REVIEW

Over the past year, the effect of the transformation of the business strategy of the Company to a diversified business model had gradually been seen, and the Group recorded a revenue of RMB1,286.98 million, a gross profit of RMB250.35 million, a gross profit margin of 19.45% which represents an increase of 7% as compared with last year and a net profit of RMB23.05 million had been achieved.

In 2014, the global economy was stable and in an upward trend, the overall demand of apple juice in the global market was relatively stable, the selling prices of apple juice concentrate in the international market continued to fall due to the sales of apple juice concentrate in the European market. Facing with the keen and complex international market environment, the Group continued to maintain its leading position in terms of business performance in the industry and its leading market position as top exporter of China by lowering the prices of raw materials, reasonably controlling the production capacity, tightening cost control, adjusting product structure and exploring new markets and other measures, which had effectively improved the operation performance of the juice business.

In the same year, the Group had promoted the development of the whole industry chain in the agricultural field in a great effort and explored the modernized apple plantation in the main apple producing areas, continued to improve cultivation of dwarf rootstocks, selection of species for nursery purposes, fruit selection and storage, packaging and logistics and developed the capability to build up its brand, it also adopted a business model of "Own production + Trading + Import" to create channels, and continued to enhance the management capability and technical level during the implementation so as to accumulate strengths for the success in the future. The development strategy of agriculture modernization of the Group greatly matched the spirit of the central conference on rural work which required "To strongly build up a modernized agricultural sector system, develop an efficient and modernized agriculture", and the Group was encouraged and supported by various local governments. As at the end of 2014, the Group made a layout of 16 modernized fruit plantation bases across 9 provinces.

In December 2014, Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. entered into a capital increase agreement with Shaanxi Financial Holding Group Company Limited and China Agriculture Industry Development Fund Co., Ltd to inject RMB430 million (equivalent to approximately HK$542 million) to Shaanxi Haisheng Modern

Agriculture Company Limited. China Agriculture Industry Development Fund Co., Ltd is the first agricultural fund at state level of China and Shaanxi Financial Holding Group Company Limited is the investment platform of Shaanxi government, this capital injection can not only solve part of the funding needs in the early development of agriculture and lower financial risks, but also provide support in the policies, sales channels and other aspects for the Group, and this render assistance to the take-off of the Group for the second time.

PROSPECT

After the development and competition of the apple juice concentrate in the global market over a long period of time, and following gently recovery of the world economy and the formation of consumption habit of the clients in the developing countries, it is expected that there will be a overall stable situation with some relative fluctuations in the global juice market in the future, the stoppage of Russia to import agricultural products from the European Union also brought new opportunities in the market for the Chinese apple juice concentrate export sector.

Looking ahead, the Group will continue to make use of the opportunities brought by the favourable agricultural policies, it will take fruit and vegetable cultivation and sales as the core agricultural business, and continue to improve the industry chain, build up all-rounded premium fruit and vegetable brands. With the steady growth of the income per capita in China, consumers are getting more and more concerned about the safety, health, nutrition, flavor and other features of fruits and vegetables, the market share of premium fruit and vegetable with brands will gradually increase. In reliance on the advantages of professional personnel and business capability of the Company, it is confident in and capable of continuing to obtain better results.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to every shareholder, customer and business partner for their continuous support and trust, at the same time, I would also like to thank our excellent management team and staff for their continuous contribution to the development of the Group.

By order of the Board
Gao Liang
Chairman

Xi'an, The PRC
27 March 2015

Management Discussion & Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2014, the Group recorded a revenue of approximately RMB1,287.0 million, representing a decrease of approximately 22.9% over the corresponding period in 2013. Gross profit margin for the current year is 19.5% as against 12.4% in previous year.

The decrease in revenue in 2014 was mainly attributable to the decrease in the Group's sales volume as a result of the adjustments of its product mix and reduction in production volume of products with low gross profit margin. As a result, the gross profit margin level of the Group improved in 2014.

The increase in gross profit margin in 2014 was mainly attributable to the decrease in the costs of apples, the primary raw materials of the Group, and the reduction in sales of products with low gross profit margin.

Other income increased by 15.1% to approximately RMB99.5 million was mainly attributable to the subsidies from the PRC local government.

The decrease in distribution and selling expenses by 13.8% to approximately RMB122.1 million was mainly attributable to the decrease in the total sales volume during the year under review.

The administrative expenses increased by 11.6% to approximately RMB101.9 million was mainly attributable to the raise of general administrative costs and staff costs.

The increase in finance costs by 7.1% to approximately RMB107.5 million was attributable to the increase in the average bank and other borrowings in 2014.

As a result, the Group attained an audited profit attributable to owners of the Company of approximately RMB23.0 million for the current reporting period, as compared to an audited loss attributed to owners of the Company of approximately RMB56.0 million in the previous year.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND CAPITAL COMMITMENTS

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 31 December 2014, the Group's borrowings amounted to approximately RMB1,770.3 million (as at 31 December 2013: RMB1,852.2 million), among which, approximately RMB1,154.7 million (as at 31 December 2013: RMB1,360.5 million) were secured by charges on the Group's assets. Approximately RMB404.3 million and RMB1,366.0 million were denominated in US dollars and RMB, respectively.

	31 December 2014 RMB'000 (Audited)	31 December 2013 RMB'000 (Audited)
Carrying amount repayable*:		
On demand and within one year	**1,084,287**	1,227,183
More than one year but not exceeding two years	**686,000**	450,000
	1,770,287	1,677,183
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period based on scheduled repayment dates but contain a repayable on demand clause (shown under current liabilities)	**–**	175,000
	1,770,287	1,852,183
Less: amounts due within one year shown under current liabilities	**(1,084,287)**	(1,402,183)
Amounts due after one year shown under non-current liabilities	**686,000**	450,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The interest rate for the variable-rate borrowings is based on LIBOR/PBCBLR plus a margin for both years.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follow:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	2.26% to 7.80%	1.08% to 7.20%
Variable-rate borrowings	2.16% to 7.05%	2.16% to 7.80%

As at 31 December 2014, the cash and bank balances including pledged bank deposits amounted to approximately RMB41.4 million (2013: RMB22.7 million).

The gearing ratio, defined as total liabilities divided by total assets, slightly decreased from approximately 70.2% as at 31 December 2013 to approximately 69.9% as at 31 December 2014 and the debt to equity ratio, defined as total borrowings divided by total equity, decreased from approximately 1.9 times as at 31 December 2013 to approximately 1.8 times as at 31 December 2014.

US dollar is one of the major settlement currencies for the sales transactions of the Group. The fluctuation of the exchange rate of US dollar against RMB during the reporting period had no significant impact on the Group's financial position.

As at 31 December 2014, the Group had approximately RMB136.9 million capital commitments (2013: RMB28.9 million).

Pledge of assets

As at 31 December 2014, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits and inventories to the banks as security of the Group's borrowings and obligation under finance leases with carrying account of approximately RMB971.9 million (2013: RMB892.5 million).

Contingent Liabilities

During the reporting period, the Group was sued by its competitor in the USA in respect of obtaining access of commercial secrets of a sweet potato juice concentrate through the competitor's former employee. The case is still in the progress of court procedures. Up to the date of this announcement and to the best of the Directors' knowledge, the Company believes that the claims lack of merit and will vigorously defend such actions. As the amount of damages to be claimed by the counterparty is uncertain, no contingent liability has been accrued.

BUSINESS REVIEW

Juice Concentrate and By-Product Processing

In 2014, for the Group's major business sector, juice concentrate and by-product processing sector, the Group successfully implemented costs control on raw materials, improved the efficiency of productivity, and tightened its control over all expenses at the same time. The Group achieved the goal of enhancing profitability by competitive price while maintaining an appropriate production output. The gross profit margin of the juice concentrate sector has risen as compared to last year, which, in turn, has substantially reduced the use of funds, effectively reduced the operation risks and has brought stability to the Group's major business sector.

During the year under review, as the global economy gently recovered, the overall demand of apple juice in the global market was relatively stable. Europe is the second largest production area of apple juice concentrate and with the abundant harvest of raw fruits there, the total export volume of the China's juice concentrate industry has reduced. The Group benefits from the excellent relationship with our long term clients and the exploration of new markets, the Group remained as one of the top players among the China's apple juice concentrate exporters and recorded an increase in its share in the total export volume of China's apple juice concentrate in 2014. In particular, the Group's sales amounted to approximately 76%, 34% and 33% of the total export volume from China to Africa, Middle-East and Japan markets, respectively.

Management Discussion & Analysis

In 2014, the Group implemented a product diversification strategy, "diminishing the reliance in Apple Juicy Production", the Group lowered the proportion of apple juice concentrate production volume while increasing the diversity of other minor fruit juices. By the end of 2014, the share of the production volume of the Group's minor fruit juices increased by 4.0% out of the total production volume of the Group, of which the production volume of sweet potato juice grew up by 15.3% as compared to last year.

During the reporting period, the Group continued to optimize its facilities for processing productivity and completed the set up of a processing plant located in Akesu, Xinjiang, a place with abundant fruits and the plant commenced production during the grinding season in 2014. The construction work of the Dangshan pectin production line is in full speed and is expected to commence production in 2015. Commencement of the pectin project will symbolize a solid step forward for the Group on its pathway to sophisticated processing of high valued-added and high-tech products and it is expected that the pectin products will further increase the consolidated revenue of the Group.

In relation to quality control, the Group continued to improve its quality assessment and control mechanisms and undergo technological transformation for its raw materials loading and unloading, cloudy concentrate processing and resin systems, all of which helped to reduce its production costs and improve product quality. In 2014, the food safety management system of the Group has successfully obtained the U.S. FDA official certification. Furthermore, together with a world-leading beverage manufacturer, the Group has implemented the raw materials base supply model and obtained the Global GAP certification, which assisted the Group to set up a safer and more effective production line.

The Group has also conducted research in the areas of fruit wine, juice fermentation, NFC and smoothie products.

In the same year, the Group has completed the registrations of three patents in the PRC as below:

Technology of preparation of plum juice concentrate (authorized)	Patent number: 201110455848.X
Technology of preparation of purple sweet potato juice concentrate (authorized)	Patent number: 201110420925.8
Technology of preparation of apple polyphenol with apples and pre-mature fruits	Patent number: 201110369124.3

PROSPECT

The global market of apple juice concentrate has gone through a long-term development process and competition. With the gradual recovery of the global economy and maturing of consumption habits of consumers in developing countries, the global juice market is expected to stabilize in general terms with relative fluctuations in the future. The relative fluctuations in the international price of apple juice concentrate may help consolidate the industry, improve the competitive environment of the industry and strengthen the price bargaining power of juice manufacturers. In addition, as Russia has stopped importing agricultural products from the European Union, this will help create new market opportunities for China's juice concentrate exporting industry.

In 2015, the Group will implement the strategy of "minimizing inventories" with an aim to lowering the tied-up capital of its processing business. It will also continue to control its costs and expenses in different aspects and improve the profitability of its juice concentrate and by-product processing sector.

FRESH FRUIT PLANTATION AND CIRCULATION

In 2014, the apple dwarf rootstocks and plantation business under the agriculture sector of the Group has received strong support from different local governments in the PRC and thus its plantation scale grew rapidly. As at the end of 2014, the Group has successfully set up sixteen fruit plantation bases in nine provinces such as Shaanxi, Shanxi, Anhui and Shandong, with a total plantation area of more than 13,000 mu.

During the year under review, the Group endeavored to increase not only plantation area but also diversify its agricultural products, in addition to apples as the main product, it also included other high value-added fruits such as mini carrots, kiwifruits, cherries, strawberries and blueberries. The product diversification strategy can help lower the risks of single-variety plantation and market risks as well as provide more choices of high quality vegetable products to downstream customers, which will, in turn, strengthen the competitive power of the Group in the fresh fruit market.

Furthermore, the Group followed the strategy of developing the whole production line for its agricultural sector and continued to improve its abilities in seedling breeding, species selection, field construction, sorting and storage, packaging and logistic, and brand name development. The Group endeavors to establish its brand as the leading supplier of safe, healthy and tasty fruits and vegetables in China. The Group aims to ensure the quality and safety of its products through a standardized fully automatic operation, and to achieve minimization of processing and circulation costs and maximization of product value at the same time.

Before the bases owned by the Group entered into harvesting period, the Group had already commenced its initial sales business under the "self-production and trading" model by collaborating with several major plantation cooperatives and fruit suppliers in countries such as Italy, the United States and New Zealand to develop fruit importing and exporting business. At present, the Group has established good relationships with several nationwide supermarket chains, shopping centers and fresh products distributors and has set up an e-commence online channel in light of the modern consumption trends, thus strengthened the sales channel advantages of the Group.

The Group would not be able to achieve such a rapid growth in its agricultural business without the contribution and efforts of its staff. In 2014, the Group employed a number of staff members from Wageningen University, the Washington State University and other renowned agricultural technology research institutes. They are well-trained in advanced plantation technologies and experienced in fruit plantation, they introduced new technologies skills to the Group accordingly.

In December 2014, the Group entered into a capital increase agreement with Shaanxi Financial Holding Group Company Limited and China Agriculture Industry Development Fund Co., Ltd. to increase the registered capital of Shaanxi Haisheng Modern Agriculture Company Limited to RMB433 million. The transaction has successfully lowered the gearing ratio of the Group and is expected to assist the Group to gain additional policy support and market resources, as well as capital power for the future development of the agricultural sector of the Group.

PROSPECT

As the living standards of citizens in the PRC is becoming higher, more consumers have developed consciousness in buying fruits branded as safe, healthy and nutritious, together with the multiple sales channels of high-end fruits nowadays, the high-end fruit consumer market in China is expected to have great potential.

In 2015, the Group will continue to expand its plantation scale under the support from the PRC local governments and complete the establishment of its bases in areas which are good for apple plantation across the nation. At the same time, the Group will speed up the development of its other products in order to lower the risks of single agricultural product production through product diversification strategy. As the fruit trees at the Group's different plantation bases are entering into harvesting period in the future, the important tasks of the Group are to set up sales systems and develop new sales channels. In terms of management, the Group will focus on the training and development of its technical teams in order to improve the management standards of its bases and the efficiency of all working stages.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 54, is the founder and chairman of the Group. He is responsible for the Group's corporate policy formulation, business strategic planning, business development and overall management of the Company. Mr. Gao has devoted himself to the apple juice concentrate industry since 1996, and has gained plenty of sales and management experiences. In 1982, Mr. Gao graduated from Shaanxi Finance and Economic Institute (陝西財經學院) in industrial economics, and he completed the Global CEO Programme organized by China Europe International Business School. Mr. Gao represents 陝西海升果業發展股份有限公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.) ("Shaanxi Haisheng") which has been elected as vice president of Fruit Juice Association of China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會). Moreover, his personal accreditations include being elected in 1999 by New China News Agency Shaanxi Branch (新華通訊社陝西分社) and Shaanxi Public Personnel Editorial Committee (陝西新聞人物編委會) as the Turn of the Century Shaanxi Enterprise Capital Restructuring News Figure; as vice president of the China Beverage Industry Association (中國飲料工業協會果蔬汁分會) in 2001, as the vice president of the third Council meeting of the Xianyang Township Enterpreneurs Association (咸陽鄉鎮企業協會) in 2002, was awarded the honourary certificate for being one of the Ten Outstanding Enterpreneurs in the Development of Western China by the Election Committee of Outstanding Entrepreneurs of Western China Development (西部開發優秀創業者評審委員會) and Western China Forum Organization Committee (西部論壇組織委員會) in 2002 and also the Deputy to the 10th National People's Congress of Shaanxi Province, the PRC (陝西省第十屆人大代表).

Mr. Zhang Xiang (張祥), aged 35, joined the Group in 2003. Mr. Zhang is currently the standing vice president and executive director of the Group, and is responsible for human resources, sale and new business development of the Group. Mr. Zhang obtained his bachelor degree in computer science and technology from The Air Force Engineering University in the PRC in 2003, and obtained Master of Business Administration from the Hong Kong Polytechnic University in 2011. He previously served as general manager of Weinan Branch, general manager of Qianxian Branch, and general manager of Modern Agriculture Company of the Group.

Mr. Ding Li (丁力), aged 42, joined the Group in 1995. Mr. Ding is currently the deputy manager of Shaanxi Haisheng and is responsible for the management of the manufacturing and sales of the Group. He has 17 years of experience in the manufacturing and sales of fruit juice concentrate business. During the period between 2002 and 2011, Mr. Ding was the general manager of 陝西海升果業發展股份有限公司乾縣分公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Qianxian Branch) and 青島海升果業有限責任公司 (transliterated as Qingdao Haisheng Fresh Juice Co., Ltd.), respectively.

Mr. Zhao Chongjun (趙崇軍), aged 39, an executive Director who joined the Group since 2001. He is now responsible for the strategic and financial work of the Group. Mr. Zhao was the general managers of Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd. (安徽碭山海升果業有限公司) and Dalian Haisheng Fresh Fruit Juice Co., Ltd. (大連海升果業有限責任公司). Mr. Zhao obtained a master degree in management from Xian Jiaotung University in 2002 as well as an EMBA degree subsequently from China Europe International Business School in 2011. Mr. Zhao has been appointed as the deputy general manager of Shaanxi Haisheng since January 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhao Boxiang (趙伯祥), aged 70, was appointed as an independent non-executive Director in September 2005. He is a Guest Professor of China Northwest University (西北大學), the chairman of Shaanxi Society of Economic Reform (陝西省體改研究會) and the president of Shaanxi Independent Director Association (陝西獨立董事協會). Mr. Zhao has previously worked as inspector of State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) and the director of Shaanxi Commission for Restructuring Economy (陝西體制改革委員會) early or late from 1986 to 2005. He graduated with a bachelor's degree majored in political education from Shaanxi Normal University (陝西師範大學) in 1969. Mr. Zhao made remarkable contributions in the reformation of state-owned enterprise and private enterprise, and the listing of the Company. He has wrote many thesis on subjects such as reformation of economic system and regulation of State-owned assets, as well as construction and development of capital market, with some of them were award winners or published in major periodicals. Mr. Zhao is an independent non-executive director of Shaanxi Northwest New Technology Industry Company Limited (stock code: 8258), which is a company listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Li Yuanrui (李元瑞), aged 73, was appointed as an independent non-executive Director in January 2007, and he was appointed as a deputy director and director of Food Technology Department in Northwest Agriculture University (西北農業大學) which was renamed as Northwest A&F University (西北農林科技大學) from 1989 to 2000. From 1989, Mr. Li has been appointed as the member of Teaching Guidance Committee of 2nd China Senior Agriculture University (第二屆全國高等農業院校教學指導委員會食品科學與工程學科組成員), member of University and Undergraduate Teaching Valuation Expert Team of China Education (國家教育部高校本科教學工作水平評價專家組成員), member of invite and bid expert team of Farm Produce Process of the tenth Five Year of Ministry of China Technology (國家科技部"十五"農產品深加工專案招、投標評估專家組成員), member of Fund Valuation of Agriculture Technology Production (農業科技成果轉化資金評審組成員), member of Agriculture Development Expert Team of China Ministry of Finance (國家財政部農業綜合開發專案評審專家組成員), director of Process and Storage of Agriculture Production of China Agriculture Committee (中國農學會農產品加工貯藏委員會常務理事), deputy chairman of Food Science and Technology Committee in Shaanxi (陝西食品科學技術學會副理事長), director of Shaanxi Food Industry Committee (陝西省食品工業協會理事), member of Expert Consultant Team of Shaanxi Food Industry (陝西省食品工業專家諮詢組成員), member of Industry Valuation Expert Team of Shaanxi Important High Technology (陝西省重大高新技術產業化評估專家組成員). Mr. Li was awarded a Special Allowance by the State Council in 1993. He has 4 books and 76 academic theses in publication. In 2008, he obtained a letter of patent named "a method for detecting galacturonic acid in juice and drink" (一種測定果汁、飲料中半乳糖醛酸方法) (Patent No. ZL200410073309x).

Mr. Chan Bing Chung (陳秉中), aged 46, was appointed as an independent non-executive Director, chairman of audit committee and members of nomination committee and remuneration committee of the Company on 8 April 2013. Mr. Chan graduated from City Polytechnic of Hong Kong with a bachelor's degree of arts in 1993. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan is a director and founder of JP Union & Co., an accounting firm in Hong Kong. Prior to joining the Company, Mr. Chan was the company secretary and qualified accountant of Hidili Industry International Development Limited (stock code: 1393), a company listed on the main board of the Stock Exchange, during the period between July 2007 and September 2008. Mr. Chan also has approximately 17 years of experience in financial auditing, internal control reporting and compliance advisory with various local and international audit firms. Mr. Chan was an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323) from 17 December 2010 to 15 May 2012.

SENIOR MANAGEMENT

Mr. Terence Sin Yuen Ko (單阮高), aged 43, is the company secretary of the Group. Mr. Sin is a member of Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants. He had worked with several Hong Kong accounting firms and PricewaterhouseCoopers prior to joining the Group in January 2005. Mr. Sin received a bachelor degree of business administration from Hong Kong Lingnan University in 1999.

Corporate Governance Report

INTRODUCTION

The Company is committed to adhere to the regulatory standards of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), improving the corporate governance structure and performing the obligations as set out in the Corporate Governance Code during the year under review (the "Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. The daily activities were carried out fully pursuant to the established governance policies. The Company has complied, saved for the deviations discussed below, with the principles and provisions as set out in the code provisions contained in the Code by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the year under review.

Code Provision A.2.1 providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). At present, the Company does not have a competent candidate for the position of chief executive officer. Mr. Gao Liang, therefore, acts as the Chairman and Chief Executive Officer of the Company. The Company is recruiting for the competent and suitable person to take the position of chief executive officer.

Code Provision A.6.7 (the "Second Deviation") providing for the Independent Non-executive Directors ("INED(s)") of the Company to, inter alia, attend general meetings. Code Provision E.1.2 (the "Third Deviation") providing for the chairman of the Board (the "Chairman") to attend the annual general meeting. Regarding the Second Deviation and the Third Deviation, the Chairman and two INEDs were absent from the last annual general meeting of the Company held in May 2014 due to their other important engagement at the relevant time.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2014.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises 7 Directors, including four executive Directors and three independent non-executive Directors. Details of the backgrounds and qualifications of the Directors are set out in the section headed "Directors and Senior Management" in this annual report. All Directors give sufficient time and attention to the Group's affair.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

The Board held five board meetings during the year under review. At the meeting, the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. The attendance record of each member of the Board is set out below:

Directors	**Attendance/Number of Board Meetings**
Executive Directors	
Mr. Gao Liang *(Chairman)*	5/5
Mr. Zhang Xiang	5/5
Mr. Ding Li	5/5
Mr. Zhao Chongjun	5/5
Independent non-executive Directors	
Mr. Zhao Boxiang	5/5
Mr. Li Yuanrui	5/5
Mr. Chan Bing Chung	5/5

The Board is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specially delegated by the Board to the management include the preparation of annual and interim accounts for the Board's approval before publication, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Under the Company's articles of association ("Articles of Association"), at each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (including those appointed for a specific team) shall be subject to retirement by rotation at least once every three years at the general meeting. There are no provisions relating to retirement of Directors upon reaching any age limit.

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement by rotation and re-election at annual general meetings. The term of the appointment of each of the independent non-executive Directors is three years.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing at least one-third of the Board. The Board considers that all independent non-executive Directors have appropriate and sufficient industry or accounting experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and hence the Company still considers the independent non-executive Directors to be independent.

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by attending seminars or trainings or studying relevant materials on the topics related to corporate governance and regulations. The Directors confirmed that they have complied with Code Provision A.6.5.

REMUNERATION COMMITTEE

The remuneration committee was established in October 2005 with written terms of reference in compliance with the Code. During the year under review, the Chairman was Mr. Zhao Boxiang and other members were Mr. Li Yuanrui and Mr. Chan Bing Chung. All of the members were independent non-executive Directors.

The role and function of the remuneration committee included the determination of, with delegated responsibility, the remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee held three meetings during the year under review to review the terms of employment of the executive Directors, the remuneration of staff and Share Option, the terms of appointment of the independent non-executive Directors. Details of the attendance of the remuneration committee meetings are as follows:

Directors	**Attendance/Number of Remuneration Committee Meetings**
Mr. Zhao Boxiang *(Chairman)*	3/3
Mr. Li Yuanrui	3/3
Mr. Chan Bing Chung	3/3

The remuneration committee of the Company considers that the existing terms of employment of the executive Directors and appointment terms of the independent non-executive Directors are fair and reasonable.

NOMINATION COMMITTEE

The Company established a nomination committee on 29 March 2012 with written terms of reference in compliance with the Code. During the year under review, the nomination committee comprised four members, Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Chan Bing Chung. The chairman of the nomination committee is Mr. Gao Liang.

The role and function of the nomination committee included the review of structure, size and composition of the Board, making recommendations on any proposed changes to the Board, and to consider the past performance and qualifications of Directors, general market conditions and the Articles of Association in selecting and recommending candidates for directorship.

The nomination committee held one meetings during the year under review to review the annual confirmation of independence submitted by the independent non-executive Directors and assessing their independence; review the structure, size and composition of the Board, making recommendations on the change of Board members and reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy. Details of the attendance of the nomination committee meetings are as follows:

Directors	**Attendance/Number of Nomination Committee Meetings**
Mr. Gao Liang *(Chairman)*	1/1
Mr. Zhao Boxiang	1/1
Mr. Li Yuanrui	1/1
Mr. Chan Bing Chung	1/1

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprised of three members, Mr. Chan Bing Chung, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them were independent non-executive Directors. The chairman of the audit committee was Mr. Chan Bing Chung.

The audit committee held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Directors	**Attendance/Number of Audit Committee Meetings**
Mr. Chan Bing Chung *(Chairman)*	2/2
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2

The Group's audited annual results for the year ended 31 December 2014 and the unaudited interim results for the six months ended 30 June 2014 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

AUDITOR'S REMUNERATION

For the year ended 31 December 2014, the fees paid or payable in respect of audit and non-audit service provided by the Group's external auditor, Deloitte Touche Tohmatsu, amounted to RMB1,200,000.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors for the accounts and the responsibilities of the external auditors to the shareholders are set out on page 23.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control systems to safeguard the Group's assets and shareholders' interests, as well as reviewing the effectiveness of these systems. The Board conducts regular reviews of the Group's internal control system. The system is designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational system.

The system includes a well-established organizational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board monitored the Group's progress on corporate governance practices throughout the year under review. Periodic meetings were held to discuss financial, operational and risk management control issues and to ensure awareness of good corporate governance practices.

COMPANY SECRETARY

As at 31 December 2014, the company secretary of the Company, Mr. Terence Sin Yuen Ko, fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the period under review. His biography is set out in the "Directors and Senior Management" section of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company places high priority in establishing effective communications with its shareholders and investors. To promote and enhance investor relations and communications, the Company has established and maintained communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conference.

The Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its website at www.chinahaisheng.com.

The Company regards the annual general meeting as an important event as it provides an opportunity for direct communications between the Board and its shareholders. All Directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. All the shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the annual general meeting of the Company. The Company supports the Code's principle to encourage shareholders' participation.

A Shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

SHAREHOLDERS' RIGHT

Right to convene extraordinary general meeting

In accordance with article 58 of the articles of association of the Company, the Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Right to put forward proposals at general meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedure set out above.

Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Room B, 3/F., Eton Building, 288 Des Voeux Road Central, Central, Hong Kong, for the attention of the Board.

Investor Relations

There was no significant change in the Company's constitutional documents during the year under review.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group's principal activities are (i) manufacture and sale of fruit juice concentrate and other related products, and (ii) plantation and sale of apples and other fruits and production and sale of feed. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 24 of this annual report. The Board does not recommend any payment of a final dividend for the year ended 31 December 2014.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB207 million in the acquisition of property, plant and equipment which mainly comprised building and plant and machinery. Details of movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority equity of the Group for the year ended 31 December 2014 and the past four financial years is set out on page 3 of this annual report. This summary does not form a part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year under review are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium, contributed surplus and accumulated profits which in aggregate amounted to approximately RMB644.9 million as at 31 December 2014. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles of Association, dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the year under review were:

Executive Directors:
Mr. Gao Liang *(Chairman)*
Mr. Zhang Xiang
Mr. Ding Li
Mr. Zhao Chongjun

Independent non-executive Directors:
Mr. Zhao Boxiang
Mr. Li Yuanrui
Mr. Chan Bing Chung

Pursuant to Article 87(1), Mr. Zhang Xiang, Mr. Ding Li and Mr. Zhao Chongjun will retire by rotation; will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 10 to 11 of this annual report.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Gao Liang entered into a service agreement with the Company for a term of three years commencing from 19 October 2008. Mr. Gao has signed a service contract with the Company for a term of three years (subject to the termination provisions of the service contract) commencing from 19 October 2014, Mr. Zhang Xiang, Mr. Ding Li and Mr. Zhao Chongjun have entered into service agreement with the Company for a term of three years commencing from 10 July 2012, 7 September 2012 and 8 April 2013 respectively. The Company intends to enter into new letter of appointments with Mr. Zhang Xiang, Mr. Ding Li and Mr. Zhao Chongjun.

Mr. Zhao Boxiang has entered into a letter of appointment with the Company for an initial term of three years commencing from 19 October 2005 and has entered into a renewal letter of appointment with the Company for a term of three years on 19 October 2014. Each of Mr. Li Yuanrui and Mr. Chan Bing Chung have entered into letter of appointment with the Company for an initial term of three years commencing from 19 January 2013 and 8 April 2013 respectively.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, or any of its holding companies, subsidiaries, or fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or in any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year under review.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 29 May 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 29 May 2017. Under the Scheme, the Board may, at its absolute discretion, grant options to the following participants to subscribe for shares in the Company:

(i) any eligible employees, including executive, non-executive and independent non-executive directors and consultants or advisors of or to the Company or its subsidiaries or any entity in which the Group holds any equity interest ("Invested Entity");

(ii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iii) any customer of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group and any Invested Entity.

The total number of shares which may be issued upon exercise of the options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Scheme. Without prior approval from the Company's shareholders, the maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 month period is not permitted to exceed 1% of the share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent nonexecutive directors or any of their associates in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million in the past 12-month period must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$1 per option. The exercise price is determined by the directors of the Company, and must be at least the highest of (i) the closing price of the shares on the date of grant of the Option, which must be a business day, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The following table discloses movements of the Company's share options held by directors and employees during the year under review:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2014	Granted during the period	Forfeited during the period	Lapsed during the period	Outstanding at 31.12.2014
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	8,000,000	–	–	(8,000,000)	–
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	8,000,000	–	–	(8,000,000)	–
18.7.2014	18.7.2014 to 17.1.2015	0.33	18.1.2015 to 17.7.2017	–	20,130,000	–	–	20,130,000
18.7.2014	18.7.2014 to 17.7.2015	0.33	18.7.2015 to 17.7.2017	–	20,130,000	–	–	20,130,000
				16,000,000	40,260,000	–	(16,000,000)	40,260,000
Exercisable at 31 December 2014								–

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	459,061,238 Shares (Note 1)	36.43%
		Interest of spouse	4,940,660 Shares (Note 2)	0.39%
		Beneficial owner	12,000,000 Shares (Note 3)	0.95%
			476,001,898 Shares	37.78%
Mr. Zhang Xiang	The Company	Beneficial owner	972,000 Shares (Note 3)	0.08%
Mr. Ding Li	The Company	Beneficial owner	972,000 Shares (Note 3)	0.08%
Mr. Zhao Chongjun	The Company	Beneficial owner	972,000 Shares (Note 3)	0.08%

Notes:

1. As at 31 December 2014, the 459,061,238 Shares were held by Think Honour International Limited ("Think Honour"),the entire issued share capital of which was held by Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to beinterested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2014, the 4,940,660 Shares (of which 552,000 Shares are the underlying shares granted under the share option scheme of the Company) were held by Ms. Xie Haiyan who is the spouse of Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 4,940,660 Shares held by Ms. Xie Haiyan.

3. The Shares are the underlying shares granted under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2014, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Ms. Xie Haiyan	The Company	Interest of spouse	471,061,238 Shares (Note 1)	37.39%
		Beneficial owner	4,940,660 Shares (Note 2)	0.39%
			476,001,898 Shares	37.78%
Think Honour	The Company	Beneficial owner	459,061,238 Shares (Note 3)	36.43%
Goldman, Sachs & Co.	The Company	Interest of controlled corporation	232,344,000 Shares (Note 4)	18.44%
The Goldman Sachs Group, Inc	The Company	Interest of controlled corporation	232,344,000 Shares (Note 4)	18.44%
GS Advisors 2000, L.L.C	The Company	Investment manager	183,759,488 Shares	14.58%
GS Capital Partners 2000, L.P.	The Company	Beneficial owner	134,784,127 Shares	10.70%

Notes:

1. Ms. Xie Haiyan is the spouse of Mr. Gao Liang. Ms. Xie Haiyan is deemed to be interested in the 471,061,238 Shares in which Mr. Gao Liang is deemed to be interested by virtue of the SFO.

2. Among the 4,940,660 Shares, 552,000 Shares are the underlying shares granted under the share option scheme of the Company.

3. The entire issued share capital of Think Honour was held by Mr. Gao Liang.

4. GS Capital Partners 2000 Employee Fund, L.P., GS Capital Partners 2000 GmbH & Co. Beteiligungs KG, GS Capital Partners 2000 Offshore, L.P., GS Capital Partners 2000, L.P. and Goldman Sachs Direct Investment Fund 2000, L.P. (together, the "Investors") are interested in an aggregate of 232,344,000 Shares. The general partner or managing partner of each of the Investors is a direct or indirect wholly-owned subsidiary of The Goldman Sachs Group, Inc.. Goldman, Sachs & Co., a wholly-owned subsidiary of The Goldman Sachs Group, Inc., held by The Goldman Sachs Group, Inc. directly and indirectly through intermediate subsidiaries, is the investment manager of each of the Investors. Pursuant to the SFO, each of Goldman, Sachs & Co. and The Goldman Sachs Group, Inc. is deemed to be interested in the aggregate 232,344,000 Shares in which the Investors are interested in total.

So far as is known to the Directors or chief executive of the Company, none of the companies/persons were interested in 10% or more of the equity interests of any other members of the Group as at 31 December 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 31 December 2014.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is established by the Human Resources Division on the basis of their merit, qualifications and competence and reviewed by the remuneration committee of the Group. The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers in aggregate accounted for approximately 36% of the Group's total turnover and the largest customer accounted for approximately 10% of the Group's total turnover for the year 2014. The five largest suppliers in aggregate accounted for approximately 22% of the Group's total purchases and the largest supplier accounted for approximately 5% of the Group's total purchases for the year 2014.

None of the Directors, their close associates, or any shareholder which to the knowledge of the Directors own more than 5% of the Company's issued share capital has any interest in the Group's five largest suppliers or the Group's five largest customers.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2014 are set out in note 24 to the consolidated financial statements.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report.

AUDIT COMMITTEE

The Company's audit committee comprised three independent non-executive directors, namely Mr. Chan Bing Chung (Chairman), Mr. Zhao Boxiang and Mr. Li Yuanrui, with written terms of reference in compliance with the Corporate Governance Code.

The audit committee has reviewed and discussed the audited final results for the year ended 31 December 2014.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2014.

ANNUAL GENERAL MEETING

The annual general meeting will be held on Friday, 15 May 2015. The notice of the annual general meeting will be published and despatched to the Shareholders of the Company together with this annual report.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 40 to the consolidated financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
China Haisheng Juice Holdings Co., Ltd.
Mr. Gao Liang
Chairman

Xian, the PRC, 27 March 2015

Independent Auditor's Report

TO THE SHAREHOLDERS OF
CHINA HAISHENG JUICE HOLDINGS CO., LTD.
中國海升果汁控股有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 76, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
Revenue	7	**1,286,981**	1,669,210
Cost of sales		**(1,036,632)**	(1,461,896)
Gross profit		**250,349**	207,314
Other income	8	**99,533**	86,502
Other gains and losses	9	**(881)**	(11,008)
Gain on disposal of a subsidiary	37	**10,817**	–
Distribution and selling expenses		**(122,080)**	(141,582)
Administrative expenses		**(101,865)**	(91,290)
Other expenses		**(3,744)**	(2,365)
Finance costs	10	**(107,498)**	(100,402)
Profit/(loss) before tax		**24,631**	(52,831)
Income tax expense	11	**(1,428)**	(3,367)
Profit/(loss) for the year	12	**23,203**	(56,198)
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**29**	(230)
Other comprehensive income/(expense) for the year		**29**	(230)
Total comprehensive income/(expense) for the year		**23,232**	(56,428)
Profit/(loss) for the year attributable to:			
Owners of the Company		**23,045**	(56,041)
Non-controlling interests		**158**	(157)
		23,203	(56,198)
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**23,074**	(56,271)
Non-controlling interests		**158**	(157)
		23,232	(56,428)
Earnings/(loss) per share (RMB cents)			
Basic	15	**1.83**	(4.45)
Diluted	15	**1.83**	(4.45)

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**1,435,169**	1,337,719
Prepaid lease payments	17	**92,807**	89,538
Biological assets	18	**107,584**	38,895
		1,635,560	1,466,152
CURRENT ASSETS			
Inventories	19	**1,077,514**	1,278,042
Trade and other receivables	20	**353,525**	256,972
Bills receivables	20	**–**	5,795
Amounts due from related companies	21	**164**	164
Prepaid lease payments	17	**2,523**	2,439
Tax recoverable		**–**	396
Pledged bank deposits	22	**41,425**	22,657
Bank balances and cash	22	**173,690**	182,906
		1,648,841	1,749,371
Assets classified as held for sale	37	**–**	15,526
		1,648,841	1,764,897
CURRENT LIABILITIES			
Trade and other payables	23	**374,772**	283,513
Bills payables	23	**100,000**	31,768
Tax liabilities		**2,327**	2,327
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings – due within one year	24	**1,084,287**	1,402,183
Obligation under finance lease	25	**34,568**	50,684
		1,596,017	1,770,538
Liabilities associated with assets classified as held for sale	37	**–**	343
		1,596,017	1,770,881
NET CURRENT ASSETS/(LIABILITIES)		**52,824**	(5,984)
Total assets less current liabilities		**1,688,384**	1,460,168

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
CAPITAL AND RESERVES			
Share capital	26	**13,039**	13,039
Reserves	28	**974,434**	949,233
Equity attributable to owners of the Company		**987,473**	962,272
Non-controlling interests		**2,305**	2,147
Total equity		**989,778**	964,419
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	24	**686,000**	450,000
Obligation under finance leases	25	**–**	33,065
Deferred tax liabilities	29	**12,606**	12,684
		698,606	495,749
		1,688,384	1,460,168

The consolidated financial statements on pages 24 to 76 were approved and authorised for issue by the board of directors on 27 March 2015 and are signed on its behalf by:

Gao Liang
DIRECTOR

Zhang Xiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital RMB'000	Share premium RMB'000	Share options reserve RMB'000 (Note 27)	Special reserve RMB'000 (Note 28)	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note 28)	Other reserve RMB'000 (Note 28)	Accumulated profits RMB'000	Attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2013	13,039	202,327	18,055	258,722	(1,019)	141,300	(1,087)	387,206	1,018,543	2,304	1,020,847
Exchange difference arising on translation	–	–	–	–	(230)	–	–	–	(230)	–	(230)
Loss for the year	–	–	–	–	–	–	–	(56,041)	(56,041)	(157)	(56,198)
Total comprehensive expense for the year	–	–	–	–	(230)	–	–	(56,041)	(56,271)	(157)	(56,428)
Lapse of share options	–	–	(7,791)	–	–	–	–	7,791	–	–	–
Appropriated from accumulated profits	–	–	–	–	–	8,064	–	(8,064)	–	–	–
At 31 December 2013	13,039	202,327	10,264	258,722	(1,249)	149,364	(1,087)	330,892	962,272	2,147	964,419
Exchange difference arising on translation	–	–	–	–	29	–	–	–	29	–	29
Profit for the year	–	–	–	–	–	–	–	23,045	23,045	158	23,203
Total comprehensive expense for the year	–	–	–	–	29	–	–	23,045	23,074	158	23,232
Recognition of equity-settled share-based payments	–	–	2,127	–	–	–	–	–	2,127	–	2,127
Lapse of share options	–	–	(10,264)	–	–	–	–	10,264	–	–	–
Appropriated from accumulated profits	–	–	–	–	–	23,328	–	(23,328)	–	–	–
At 31 December 2014	13,039	202,327	2,127	258,722	(1,220)	172,692	(1,087)	340,873	987,473	2,305	989,778

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		**24,631**	(52,831)
Adjustments for:			
Direct write-off of inventories		**–**	356
Reversal of allowance for inventories		**–**	(33,368)
Depreciation of property, plant and equipment		**104,069**	92,238
Depreciation of biological assets		**486**	–
Finance costs		**107,498**	100,402
Interest income		**(864)**	(810)
Loss on disposal of property, plant and equipment		**611**	10,223
Gain on disposal of a subsidiary	37	**(10,817)**	–
Gain on disposal of land use right		**–**	(1,771)
Gain arising from changes in fair value less costs to sell of biological assets		**–**	(1,070)
Share-based payment expenses		**2,127**	–
Release of prepaid lease payments		**2,558**	2,222
Operating cash flows before movements in working capital		**230,299**	115,591
Decrease in inventories		**200,528**	609,215
(Increase)/decrease in trade and other receivables		**(96,553)**	193,837
Decrease/(increase) in bills receivables		**5,795**	(5,795)
Increase/(decrease) in trade and other payables		**71,180**	(1,238,624)
Increase in bills payables		**68,232**	26,448
Cash from/(used in) operations		**479,481**	(299,328)
Income tax paid		**(1,110)**	(4,002)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**478,371**	(303,330)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(167,467)**	(79,878)
Purchase of biological assets		**(75,605)**	(12,305)
Payment for land use right		**(5,911)**	(13,083)
Placement of pledged bank deposits		**(18,768)**	(15,507)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)	36	**–**	(832)
Advances to related companies		**–**	(90)
Interest received		**864**	750
Repayment from related companies		**–**	1,164
Proceeds on disposal of land use right		**–**	4,070
Withdrawal of pledged bank deposits		**–**	13,894
Proceeds on disposal of property, plant and equipment		**4,655**	14,708
Proceed on disposal of biological assets		**6,430**	327
Proceeds on disposal of a subsidiary	37	**5,000**	–
Deposit received from disposal of a subsidiary	37	**–**	21,000
NET CASH (USED IN) INVESTING ACTIVITIES		**(250,802)**	(65,782)

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTES	2014 RMB'000	2013 RMB'000
FINANCING ACTIVITIES			
New bank and other borrowings and finance lease raised		**1,637,450**	2,577,462
Repayment of bank and other borrowings and finance lease		**(1,768,527)**	(2,026,525)
Interests paid on bank and other borrowings and finance lease		**(105,708)**	(76,496)
NET CASH FROM/(USE IN) FINANCING ACTIVITIES		**(236,785)**	474,441
Net (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(9,216)**	105,329
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**182,906**	77,924
		173,690	183,253
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by:			
Bank balances and cash		**173,690**	182,906
Cash and cash equivalents included in assets classified as held for sale	37	**–**	347
		173,690	183,253

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" in this annual report.

The Company is an investment holding company while its subsidiaries are principally engaged in (i) the manufacture and sale of fruit juice concentrate and related products and (ii) plantation and sale of apples and other fruits and production and sale of feed.

The Group's principal operations are conducted in the People's Republic of China (the "PRC"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs and the new Interpretations that are mandatorily effective for the current year

The Group has applied for the first time in the current year for the following amendments to IFRSs issued and a new Interpretation by the International Accounting Standards Board ("IASB").

Amendments to IFRS 10, IFRS 12 and IFRS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Agriculture and Continuation of Hedge Accounting
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
IFRIC 21	Levies

Except as described below, the application of the amendments to IFRSs and the new Interpretation in the current year have had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"

The Group has early adopted the amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" over its biological assets, consisting of fruit trees and infant trees for the first time in the current year. The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead to IAS 41. The produce growing on bearer plants continue to be accounted for in accordance with IAS 41.

The fair value of the biological assets as at 31 December 2013 is treated as deemed cost as at 1 January 2014. Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of fruit trees and depreciation commences. Fruit trees are depreciated using straight-line method over their expected useful lives.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 14	Regulatory Referral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRSs	Annual improvements to IFRSs 2010-2012 Cycle[6]
Amendments to IFRSs	Annual improvements to IFRSs 2011-2013 Cycle[4]
Amendments to IFRSs	Annual improvements to IFRSs 2012-2014 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted
2 Effective for first annual IFRS Financial Statements beginning on or after 1 January 2016, with earlier application permitted
3 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted
4 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted
5 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted
6 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted

IFRS 15 Revenue from Contracts with Customers

In July 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that application of IFRS15 will not have material effect on the consolidated financial statement.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost
- In accordance with IFRS 9 Financial Instruments (or IAS 39 "Financial Instruments: Recognition and Measurement" for entities that have not yet adopted IFRS 9), or
- Using the entity method as described in IAS 28 "Investments in Associates and Joint Ventures".

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to IAS 27, there are consequential amendments to IAS 28 to avoid a potential conflict with IFRS 10 "Consolidated Financial Statements" and to IFRS I "First-time Adoption of International Financial Reporting Standards".

The directors of the Company anticipate that application of the amendments to IAS 27 will not have material effect on the consolidated financial statement.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the predecessor Hong Kong Companies Ordinance (Cap. 32).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year under review are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs of disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebate and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Biological assets

Biological assets consist of fruit trees and infant trees in the Group's plantations in the PRC. Prior to 1 January 2014, they were measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in profit or loss for the year in which it arose. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income taxes.

Expenditure that are attributable to the biological growth of infant trees, such as deprecation charge and cost of fertilises and pesticides are recognised as additions to biological assets until the stage such infant trees start bearing fruits.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Biological assets (Continued)

With the early adopt of the amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" in the current year, the biological assets are accounts for as property, plant and equipment in accordance with IAS 16, instead to IAS 41. The fair value of fruit trees and infant trees are used as deemed cost as at the beginning of earliest period presented, i.e. 1 January 2014.

Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of fruit trees and depreciation commences. Fruit trees are depreciated using straight-line method over their expected useful lives.

Biological assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal of the biological assets is determined as the difference between the sales proceeds and carrying amount of the biological assets and is recognised in profit and loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified into the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of construction in progress. Construction in progress are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Grants relating to biological assets

An unconditional government grant related to a biological asset measured at its fair value less costs to sell is recognised in profit or loss when, and only when, the government grant becomes receivable. If a government grant related to a biological asset measured at its fair value less costs to sell is conditional, the Group recognises the government grant in profit or loss when, and only when, the conditions attaching to the government grant are met.

Other grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

Payments to defined contribution retirement schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on assets

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, bills receivables, amounts due from related companies, pledged bank deposits, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranged from 30 to 90 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, bills payables, dividend payable to non-controlling shareholders of a subsidiary and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to the accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Estimated impairment of trade receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgments. When there is objective evidence of impairment loss, the Group estimates the future cash flows to determine the impairment loss. A considerable amount of judgment is required in assessing the ultimate collection of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, material amount of allowances may be required. The carrying amount of trade receivables as at 31 December 2014 is RMB171,321,000 (2013: RMB103,397,000), net of allowance for doubtful debts of RMB5,107,000 (2013: RMB5,107,000).

Write-down of inventories

The management reviews the aging of inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis and makes allowance for obsolete items. Where the actual future cash flows from sales are less than expected, a material allowance for inventory may arise. As at 31 December 2014, the carrying amount of inventories is RMB1,077,514,000 (2013: RMB1,278,042,000), net of allowance for inventories of RMB97,000 (2013: RMB97,000).

Depreciation of biological assets

The Group's carrying value of biological assets – bearer plants as at 31 December 2014 is approximately RMB107,584,000. The Group management determines the point of maturity of bearer plants and expected useful lives based on the historical information of the point of maturity and the actual useful lives of bearer plants of particular species.

It could change significantly as a result of change in external environment such as climate, location, soil condition and etc. Management will increase the depreciate charge when the current estimated useful lives are less than previously estimated useful lives.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profits.

The management of the Group reviews the capital structure regularly, taking into account the cost and risk associated with the capital. The Group will then balance its capital structure through payment of dividends, issue of new shares and/or new debt or extension or redemption of its existing debts.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**402,449**	323,378
Financial liabilities		
Amortised cost	**2,159,004**	2,055,875

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bills receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, bills payables, dividend payable to non-controlling shareholders of a subsidiary, bank and other borrowings and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 20% (2013: 54%) of the Group's sales are denominated in foreign currency, United States dollar ("USD").

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
USD	**418,512**	415,126	**175,377**	139,417

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to the fluctuation of USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit (2013: a decrease in post-tax loss) where RMB strengthen 5% against USD and vice versa.

	2014	2013
	RMB'000	RMB'000
Profit/(loss) for the year	**9,118**	10,339

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 24 for details), fixed-rate pledge bank deposits (see note 22 for details) and obligation under finance lease (see note 25 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 24 for details), amounts due from related companies (see note 21 for details) and bank balances (see note 22 for details) carried at prevailing interest rate. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2014 would decrease/increase by RMB1,263,000 (2013: post-tax loss would increase/decrease by RMB2,339,000). This is mainly attributable to the Group's exposure to the fluctuation of London Interbank Offered Rate ("LIBOR") and The People's Bank of China Base Lending Rate ("PBCBLR") on its variable-rate bank and other borrowings.

In the opinion of the directors, no sensitivity analysis is prepared for the interest rate risk for variable-rate bank balances and amounts due from related companies since the impact to the Group's result for 2014 and 2013 is not significant.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of financial guarantees provided to the suppliers, the Group will provide such guarantees to those suppliers only when the Group has trade payable due to them with amount greater than the financial guarantees granted and the legal right to offset with the financial guarantees. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on trade receivables with exposure limited to certain counterparties and customers. As at 31 December 2014, the five largest customers accounted for approximately 29% (2013: 18%) of the Group's trade receivables. The five largest customers are located in United States of America (the "USA"), South Africa and Japan. These top five customers have good credit rating and repayment history. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 28% (2013: 39%) of the total trade receivables as at 31 December 2014. Apart from delegating a team for determining the credit limits, credit approval and other monitoring procedures on these customers, the Group had also explored new markets and new customers in order to minimise the concentration of credit risk.

Credit risk on bank balances and pledged bank deposits is limited because the counterparties are banks with good reputation. The Group does not have other significant concentration of credit risk on other receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principle cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment terms.

6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2014

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2014 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	86,699	115,600	86,700	–	288,999	288,999
Bills payables	–	100,000	–	–	–	100,000	100,000
Dividend payable to non-controlling shareholders of a subsidiary	–	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	6.59	955,849	29,822	2,621	537,367	1,525,659	1,433,244
– variable-rate	4.98	159,182	1,989	9,118	189,870	360,159	337,043
Obligation under finance lease	5.84	13,731	27,461	–	–	41,192	34,568
		1,315,524	174,872	98,439	727,237	2,316,072	2,193,917

2013

	Weighted average interest rate %	Less than 1 month or on demand RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2013 RMB'000
Non-derivative financial liabilities							
Trade and other payables	–	51,559	68,744	51,558	–	171,861	171,861
Bills payables	–	31,768	–	–	–	31,768	31,768
Dividend payable to non-controlling shareholders of a subsidiary	–	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	4.14	778,213	29,250	–	508,500	1,315,963	1,228,213
– variable-rate	4.98	623,970	–	–	–	623,970	623,970
Obligation under finance lease	5.84	–	13,731	41,193	36,693	91,617	83,749
		1,485,573	111,725	92,751	545,193	2,235,242	2,139,624

Bank and other borrowings with a repayment on demand clause are included in the "less than 1 month or on demand" time band in the above maturity analysis. As at 31 December 2014, the aggregate carrying amounts of these bank loans amounted to RMB1,320,287,000 (2013: RMB1,402,183,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks and financial institution will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid within 1 to 3 years (2013: within 1 to 3 years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements.

Notes to the Consolidated Financial Statements

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6. FINANCIAL INSTRUMENTS (Continued)

6b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank and other borrowings subject to a repayment on demand clause based on scheduled repayments are as below:

	Weighted average effective interest rate %	Less than 1 month RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2014							
– fixed-rate	**6.59**	**187,606**	**165,294**	**606,142**	**55,231**	**1,014,273**	**983,245**
– variable-rate	**4.98**	**34,652**	**3,219**	**132,418**	**189,870**	**360,159**	**337,042**
		222,258	**168,513**	**738,560**	**245,101**	**1,374,432**	**1,320,287**
At 31 December 2013							
– fixed-rate	4.14	165,453	190,047	391,854	62,099	809,453	778,213
– variable-rate	4.98	103,888	220,865	196,400	125,146	646,299	623,970
		269,341	410,912	588,254	187,245	1,455,752	1,402,183

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

6c. Fair value

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

The chief operating decision makers, who are the executive directors, regularly review revenue by locations of customers including North America, Asia, South Africa, Australia, Russia and Europe, and the consolidated statement of profit or loss and other comprehensive income to make decision about resources allocations and performance assessment. Profit/(loss) for the year is the segment result reviewed by the executive Directors. As no other discrete financial information is available for the assessment of performance of its business, no segment information is presented other than entity-wide disclosure.

The Group is principally engaged in the manufacture and sales of fruit juice concentrate and related products. About 80% (2013: 86%) of revenue are generated from apple juice concentrate and related products.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Geographic information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers by locations of customers, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
North America	**593,407**	807,856	**32**	55
Asia	**468,223**	499,767	**1,635,528**	1,466,097
South Africa	**167,912**	227,930	**–**	–
Australia	**25,627**	58,701	**–**	–
Russia	**28,183**	39,274	**–**	–
Europe	**3,629**	35,682	**–**	–
	1,286,981	1,669,210	**1,635,560**	1,466,152

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2014	2013
	RMB'000	RMB'000
Customer A	**N/A[1]**	177,435
Customer B	**N/A[1]**	168,581
Customer C	**N/A[1]**	168,113

1 The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

	2014	2013
	RMB'000	RMB'000
PRC Government subsidies (note)	**89,189**	61,195
Bank interest income	**864**	750
Interest income on advances to related companies	**–**	60
Amortisation of deferred income	**–**	19,000
Others	**9,480**	5,497
	99,533	86,502

Note: The subsidies from the PRC Government recognised by the Group in both years represent financial subsidies for encouraging the Group's export sales, the fruit juice concentrate business and the agriculture business in the PRC. They were unconditional and determined at the sole discretion of the relevant PRC Government authorities.

Notes to the Consolidated Financial Statements

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9. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Gain on disposal of land use right	–	1,771
Gain arising from changes in fair value less costs to sell of biological assets	–	1,070
Net foreign exchange loss	(267)	(3,739)
Loss on disposal of property, plant and equipment	(611)	(10,223)
Other (losses)/gains	(3)	113
	(881)	(11,008)

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Interest on:		
– bank and other borrowings wholly repayable within five years	103,943	94,691
– finance leases	3,555	5,711
	107,498	100,402

11. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax:		
PRC Enterprise Income tax ("EIT")	1,172	3,981
Other jurisdiction	334	–
	1,506	3,981
Overprovision in prior years:		
Other jurisdiction	–	(56)
	1,506	3,925
Deferred tax (note 29)	(78)	(558)
	1,428	3,367

The Company is not subject to taxation in the Cayman Islands, which does not levy tax on the income of the Company.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

11. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, a PRC subsidiary enjoys a preferential tax rate of 15% for 2013 and 2014. The PRC subsidiary will need to apply for the preferential tax rate every year.

For the year ended 31 December 2013 and 2014, certain subsidiaries of the Company, 陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. ("Shaanxi Haisheng"), 青島海升果業有限公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd. ("Qingdao Haisheng"), 大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. ("Dalian Haisheng"), 栖霞海升果業有限公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd. ("Qixia Haisheng") and 伊天果汁(陝西)有限公司 translated as Yitian Juice (Shaanxi) Co., Ltd. ("Yitian Shaanxi") were approved as "農產品初加工企業" in relation to their production of juice concentrate products and plantation and sales of fruits. as a result, Shaanxi Haisheng, Qingdao Haisheng, Dalian Haisheng, Qixia Haisheng and Yitian Shaanxi were exempted from EIT for both years. Certain provinces required the application of tax exemption under "農產品初加工企業" every year.

A subsidiary of the Company, Haisheng International Inc., is a limited liabilities company incorporated in the USA on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.

The taxation for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **RMB'000**	2013 RMB'000
Profit/(loss) before tax	**24,631**	(52,831)
Tax at the domestic income tax rate of 25%	**6,158**	(13,208)
Tax effect of expenses not deductible for tax purpose	**673**	1,342
Tax effect of income not taxable for tax purpose	**(22,297)**	(20,871)
Tax effect of tax losses not recognised	**34,883**	50,940
Utilisation of tax losses previously not recognised	**(6,588)**	(3,860)
Utilisation of deductible temporary difference previously not recognised	**–**	(8,342)
Effect of tax exemption and tax concession	**(11,680)**	(2,580)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**279**	2
Overprovision in respect of prior years	**–**	(56)
Tax charge for the year	**1,428**	3,367

Details of movements in deferred tax liabilities are set out in note 29.

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12. PROFIT/(LOSS) FOR THE YEAR

	2014 RMB'000	2013 RMB'000
Profit/(loss) for the year has been arrived at after charging:		
Directors' remuneration (note 13)	3,642	2,700
Salaries and wages	65,218	53,207
Retirement benefits scheme contributions	6,214	7,425
Share-based payments	1,339	–
Total staff costs	76,413	63,332
Auditor's remuneration	1,200	1,100
Release of prepaid lease payments (included in administrative expenses)	2,558	2,222
Depreciation of property, plant and equipment	104,069	92,238
Depreciation of biological assets	486	–
Cost of inventories recognised as an expense (Note)	1,036,632	1,461,896

Note: For the year ended 31 December 2013, included in the cost of sales composed of the net reversal of allowance for inventories of RMB33,368,000 and direct write-off of inventories of RMB356,000. The reversal of allowance for inventories was made as these inventories were sold.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Details of emoluments of individual directors of the Company are set out as follows:

	2014						2013				
	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000	Fees RMB'000	Salaries and allowances RMB'000	Bonus RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Mr. Zhao Boxiang	60	–	–	–	–	60	60	–	–	–	60
Mr. Li Yuanrui	60	–	–	–	–	60	60	–	–	–	60
Mr. Lo Wai Tat, Andrew (note i)	–	–	–	–	–	–	15	–	–	–	15
Mr. Chan Bing Chung (note ii)	60	–	–	–	–	60	45	–	–	–	45
Mr. Gao Liang	–	884	220	50	634	1,788	–	884	220	46	1,150
Mr. Li Bing (note i)	–	–	–	–	–	–	–	37	–	4	41
Mr. Zhang Xiang	–	434	103	50	51	638	–	404	120	46	570
Mr. Ding Li	–	336	81	50	51	518	–	324	80	46	450
Mr. Zhao Chongjun (note iii)	–	336	81	50	51	518	–	197	80	32	309
	180	1,990	485	200	787	3,642	180	1,846	500	174	2,700

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

Note:

(i) Mr. Lo Wai Tat, Andrew and Mr. Li Bing resigned on 8 April 2013.

(ii) Mr. Chan Bing Chung was appointed on 8 April 2013.

(iii) Mr. Zhao Chongjun was appointed on 8 April 2013.

Mr. Gao Liang is also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

The bonus payment is determined based on the Group's performance for the year.

Employees' emoluments

The five highest paid individuals included four (2013: four) were directors and the Chief Executive of the Company whose emoluments are set out above. The emoluments of the remaining one (2013: one) highest paid individuals and each fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB814,000) for the years ended 31 December 2014 and 2013, are as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries and allowances	**437**	404
Retirement benefits scheme contributions	**50**	46
Share-based payments	**51**	–
	538	450

During the years ended 31 December 2014 and 2013, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the years ended 31 December 2014 and 2013.

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14. DIVIDENDS

	2014 RMB'000	2013 RMB'000
Dividends recognised as distribution during the year	**–**	–

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2014 and 2013.

15. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	2014 RMB'000	2013 RMB'000
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share		
Profit/(loss) for the year attributable to owners of the Company	**23,045**	(56,041)

	Number of shares	
	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**1,260,000,000**	1,260,000,000
Effect of dilutive potential ordinary shares in respect of share options	**2,060,843**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**1,262,060,843**	1,260,000,000

The computation of the diluted loss per share for the year ended 31 December 2013 does not assume the exercise of the Company's options as the exercise would result in a decrease in loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2013	687,374	1,136,038	10,633	15,908	82,124	1,932,077
Additions	1,630	16,694	1,961	1,504	61,865	83,654
Transfer	114,254	16,880	–	12,965	(144,099)	–
Disposals	(17,255)	(70,982)	(3,833)	(653)	(1,166)	(93,889)
Acquisition of subsidiaries (note 36)	1,017	13,361	80	26	7,489	21,973
Classified as held for sale (note 37)	(18,779)	(6,869)	–	(126)	–	(25,774)
Exchange realignment	–	–	–	(11)	–	(11)
At 31 December 2013	768,241	1,105,122	8,841	29,613	6,213	1,918,030
Additions	4,531	16,170	4,319	3,386	178,379	206,785
Transfer	88,121	60,273	–	3,184	(151,578)	–
Disposals	(139)	(7,770)	(206)	(47)	–	(8,162)
Exchange realignment	–	–	–	–	–	–
At 31 December 2014	860,754	1,173,795	12,954	36,136	33,014	2,116,653
DEPRECIATION						
At 1 January 2013	106,297	448,433	4,299	8,009	–	567,038
Provided for the year	19,515	70,332	1,021	1,697	–	92,565
Eliminated on disposals	(6,731)	(54,364)	(2,791)	(537)	–	(64,423)
Classified as held for sale (note 37)	(9,224)	(5,521)	–	(116)	–	(14,861)
Exchange realignment	–	–	–	(8)	–	(8)
At 31 December 2013	109,857	458,880	2,529	9,045	–	580,311
Provided for the year	19,359	80,932	1,545	2,233	–	104,069
Eliminated on disposals	(10)	(2,847)	(28)	(11)	–	(2,896)
Exchange realignment	–	–	–	–	–	–
At 31 December 2014	129,206	536,965	4,046	11,267	–	681,484
CARRYING VALUES						
At 31 December 2014	731,548	636,830	8,908	24,869	33,014	1,435,169
At 31 December 2013	658,384	646,242	6,312	20,568	6,213	1,337,719

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16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than construction in progress, are depreciated after residual value on a straight-line basis at the following years/rates per annum:

Buildings	20 to 40 years or shorter of the lease terms of the relevant leasehold lands
Machinery	5.05-16.66%
Motor vehicles	10-20%
Office equipment	20%

The carrying value of machinery of RMB636,830,000 (2013: RMB646,242,000) includes an amount of RMB224,580,000 (2013: RMB224,589,000) in respect of assets held under finance leases.

As at 31 December 2013, in view of operating loss incurred for the year, the directors conducted an annual review of the Group's property, plant and equipment and prepaid lease payments. The recoverable amounts of the relevant assets were determined based on the value in use calculation. The discount rate in measuring the recoverable amounts determined based on the value in use was 11%. No impairment loss has been recognised in profit or loss for the year ended 31 December 2013.

17. PREPAID LEASE PAYMENTS

The carrying amount of prepaid lease payments located in the PRC are categorised as:

	2014 **RMB'000**	2013 RMB'000
Current assets	**2,523**	2,439
Non-current assets	**92,807**	89,538
	95,330	91,977

The carrying amount of prepaid lease payments consisted of long lease amounting to RMB6,666,000 (2013: RMB6,797,000) and medium-term lease amounting to RMB88,664,000 (2013: RMB85,180,000).

The prepaid lease payments are amortised over 20 to 70 years on a straight-line basis.

18. BIOLOGICAL ASSETS

Biological assets represent fruit trees and infant trees. The role of the fruit trees is to supply fruits through the processes of growth in each production cycle. The infant trees are held for transforming into fruit trees.

At 31 December 2013, the biological assets were measured at fair value less cost to sell. On 1 January 2014, the Group has early adopted the amendments to IAS 16 and IAS 41. The amendments to IAS 16 and IAS 41 defined a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead to IAS 41. The produce growing on bearer plants continue to be accounted for in accounted for in accordance with IAS 41.

The fair value of the biological assets as at 31 December 2013 is treated as deemed cost as at 1 January 2014. Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of fruit trees and depreciation commences. Fruit trees are depreciated using straight-line method over their expected useful lives.

18. BIOLOGICAL ASSETS (Continued)

Biological assets as at 31 December 2014 are analysed as follows:

	Apple	Rootstock	Mulberry	Blueberry	Cherry	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Infant trees							
COST							
At 1 January 2014							
(deemed cost)	28,449	2,595	483	-	-	4,101	35,628
Additions	69,611	2,002	41	-	-	3,883	75,537
Transfer to fruit trees	-	-	(524)	-	-	-	(524)
Disposals	(6,089)	-	-	-	-	(341)	(6,430)
At 31 December 2014	91,971	4,597	-	-	-	7,643	104,211
CARRYING VALUES							
At 31 December 2014	91,971	4,597	-	-	-	7,643	104,211
Fruit trees							
COST							
At 1 January 2014							
(deemed cost)	-	-	-	148	3,119	-	3,267
Additions	-	-	-	3	65	-	68
Transfer from infant trees	-	-	524	-	-	-	524
At 31 December 2014	-	-	524	151	3,184	-	3,859
DEPRECIATION							
At 1 January 2014	-	-	-	-	-	-	-
Provided for the year	-	-	21	21	444	-	486
At 31 December 2014	-	-	21	21	444	-	486
CARRYING VALUES							
At 31 December 2014	-	-	503	130	2,740	-	3,373
Total							
At 31 December 2014	91,971	4,597	503	130	2,740	7,643	107,584

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18. BIOLOGICAL ASSETS (Continued)

The above fruit trees are depreciated on straight-line basis at the following years:

Apple and rootstock	20 to 25 years
Mulberry	20 years
Blueberry and Cherry	17 years
Others	20 years

Biological assets as at 31 December 2013 were analysed as follows:

	Infant trees RMB'000	**Fruit trees** RMB'000	**Total** RMB'000
At 1 January 2013	–	–	–
Acquisition of subsidiaries (note 36)	22,552	2,968	25,520
Net additions	3,224	16	3,240
Net increase due to cultivation	8,982	83	9,065
Net change in fair value	1,233	(163)	1,070
At 31 December 2013	35,991	2,904	38,895
Unrealised gain/(loss) on revaluation of biological assets included in profit or loss (included in other gains and losses)	1,233	(163)	1,070

The quantity of fruit trees owned by the Group at the end of the reporting period is shown below.

	2014 **Number**	2013 Number
Infant trees	**1,939,395**	773,056
Fruit trees	**36,780**	16,859

The Group had engaged an independent valuer to determine the fair value of fruit trees and infant trees less costs to sell as at 31 December 2013. For infant trees, the valuation was arrived at by reference to current purchase cost of infant trees of similar age, species and health of the trees. For matured fruit trees, the valuation was arrived at by discounting the future income stream attributable to the Group's matured fruit trees to arrive at a present value. The senior management reported this valuation findings to the board of directors every year to explain the cause of fluctuations in the fair value of the assets. There was been no change to the valuation technique during the year.

In estimating the fair value of the matured fruit trees and infant trees, the highest and best use of the matured fruit trees and infant trees were their current use.

In estimating the fair value of the infant trees, the purchase price of infant trees, which represented the assumed market price for infant trees purchased by the Group was the key assumption applied.

18. BIOLOGICAL ASSETS (Continued)

In estimating the fair value of the matured fruit trees, the following key assumptions were applied:

a) The market price variables, which represented the assumed market price for fruits produced by the Group. The valuation adopted the market sales prices prevailing as of the end of the reporting period for each type of fruit produced by the Group as the sales price estimation.

b) The yield per tree variables, which represented the harvest level of the fruit trees. The yield of fruit trees was affected by the age, species and health of the fruit trees, as well as the climate, location, soil condition, topography and infrastructure. In general, yield per tree remained stable for about 10 to 15 years until age of 20.

c) The direct production cost variables, which represented the direct costs necessary to bring the fruits to their sale form. These mainly included raw material costs and direct labour costs. The direct production cost variables were determined by reference to actual costs incurred for areas that had been previously cultivated.

d) The Capital Asset Pricing Model had been used to determine a discount rate of 15% to be applied to the fruit tree operations.

e) Other key assumptions which had taken into account in valuing the Group's biological assets included, among other things,

    i) cash flows were calculated from the current rotation of fruit trees only, without taking into account the projected revenue or costs related to the re-establishment of new fruit trees;

    ii) as discounted cash flows were based on current fruit prices, planned future business activities that might impact the future prices of fruit harvested from the Group's plantations were not considered; and

    iii) no allowance was made for cost improvements in future operations.

The key unboreable input used in valuing the infant trees was the purchase cost of apple tree which ranged from RMB5 to RMB13 is per tree. An increase in the purchase cost of apple tree used would result in an increase in the fair value measurement of the infant trees and vice versa. In the opinion of the directors, no senility analysis was prepared for the change in the key unobservable input used in valuing the matured fruit trees since the impact to the Group's result was not significant.

The matured fruit trees and infant trees measured at fair value fell within the level 3 category. There was no transfer into or out of Level 3 during the year.

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18. BIOLOGICAL ASSETS (Continued)

The Group was exposed to a number of risks related to its fruit plantations:

1) Regulatory and environmental risks

The Group was subject to laws and regulations in the jurisdiction in which it operated. The Group had established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performed regular reviews to identify environmental risks and to ensure that the systems in place were adequate to manage those risks.

2) Supply and demand risks

The Group was exposed to risks arising from fluctuations in the price and sales volume of various type of fruits. Where possible the Group managed this risk by aligning its harvest volume to market supply and demand. Management performed regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes were consistent with the expected demand.

3) Climate and other risks

The Group's fruit plantations were exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group had extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

As at 31 December 2013, the land currently occupied by the Group is leased from third parties, and had no commercial value. With reference to the value of machinery and equipment and other assets (represented by cement pole and fences, etc.), the total values of the assets involved were approximately RMB29 million.

19. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials	**52,907**	19,507
Work in progress	**178,253**	200,673
Finished goods	**846,354**	1,057,862
	1,077,514	1,278,042

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES

	2014 **RMB'000**	2013 RMB'000
Trade receivables	**176,428**	108,504
Less: allowance for doubtful debts	**(5,107)**	(5,107)
	171,321	103,397
Value added tax recoverable and other tax recoverable	**70,323**	101,578
Advances to suppliers	**72,558**	25,516
Others	**39,323**	26,481
	353,525	256,972

The Group allows an average credit period of 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2014 **RMB'000**	2013 RMB'000
Aged:		
0-90 days	**170,658**	103,021
91-180 days	**663**	376
	171,321	103,397

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB663,000 (2013: RMB376,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The amount past due but not impaired are aged 91 to 180 days.

The directors of the Company considered trade receivables which are past due but not impaired are of mostly the renowned international beverage manufacturers, therefore based on the past history, the collectability is expected.

20. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES (Continued)

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,107,000 (2013: RMB5,107,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts

	2014 RMB'000	2013 RMB'000
1 January and 31 December	**5,107**	5,107

As at 31 December 2014, the Group has trade and other receivables of USD17,220,000, equivalent to RMB105,369,000 (2013: USD14,063,000, equivalent to RMB85,741,000) which are denominated in foreign currency of the relevant group entities.

The bills receivables as at 31 December 2013 were aged within 90 days based on the invoice dates at the end of the reporting period.

21. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, repayable on demand and carries interest at prevailing market rates. The related companies are beneficially owned and controlled by a director of the Company who is also a shareholder of the Company.

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

At 31 December 2014, the pledged bank deposits of RMB41,425,000 (2013: RMB22,657,000) carried an average fixed interest rate of 3% (2013: 3.4%) per annum and bank balances of RMB173,325,000 (2013: RMB182,734,000) carried prevailing interest rate of 0.35% (2013: 0.55%) per annum.

The pledged bank deposits are used to secure the bills payables which is payable within three months to six months. Accordingly, the pledged bank deposits are classified as current assets.

As at 31 December 2014, the Group has bank balances and cash of USD6,427,000, equivalent to RMB39,329,000 (2013: USD8,821,000, equivalent to RMB53,781,000) which are denominated in foreign currency of the relevant group entities.

23. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

	2014	2013
	RMB'000	RMB'000
Trade payables	**224,566**	155,661
Payable for acquisition of property, plant and equipment	**44,665**	5,347
Advances from customers	**22,823**	29,990
Accrual salaries	**8,547**	6,001
Accrual interest	**30,373**	28,583
Other tax payable	**12,294**	16,316
Deposit received for assets classified as held for sale (note 37)	**–**	21,000
Others	**31,504**	20,615
	374,772	283,513

As at 31 December 2014, the Group has trade and other payables of USD2,310,000, equivalent to RMB14,135,000 (2013: USD3,327,000, equivalent to RMB20,284,000) which are denominated in foreign currency of the relevant group entities.

The Group is allowed a credit period ranged from 90 to 180 days from its suppliers. The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period:

	2014	2013
	RMB'000	RMB'000
Aged:		
0-90 days	**189,039**	113,281
91-180 days	**29,386**	26,267
181-365 days	**4,301**	12,732
Over 1 year	**1,840**	3,381
	224,566	155,661

The bills payables for both years are aged within 90 days based on the invoice dates at the end of the reporting period.

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24. BANK AND OTHER BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank loans	**1,320,287**	1,402,183
Other borrowings (note (i))	**450,000**	450,000
	1,770,287	1,852,183
Analysed as:		
Secured	**1,154,744**	1,360,479
Unsecured	**615,543**	491,704
	1,770,287	1,852,183
Analysed as:		
Fixed-rate borrowings	**1,433,244**	1,228,213
Variable-rate borrowings	**337,043**	623,970
	1,770,287	1,852,183

	2014 RMB'000	2013 RMB'000
Carrying amount repayable*:		
On demand and within one year	**1,084,287**	1,227,183
More than one year but not exceeding two years	**686,000**	450,000
	1,770,287	1,677,183
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period based on scheduled repayment dates but contain a repayable on demand clause (shown under current liabilities)	**–**	175,000
	1,770,287	1,852,183
Less: Amounts due within one year shown under current liabilities	**(1,084,287)**	(1,402,183)
Amounts due after one year shown under non-current liabilities	**686,000**	450,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

24. BANK AND OTHER BORROWINGS (Continued)

Notes:

(i) During the year ended 31 December 2013, a non-wholly owned subsidiary of the Company issued and completed the registration of a corporate bond (the "Corporate Bond") with China Central Depository & Clearing Co., Ltd. The principal amount of the Corporate Bond is RMB450,000,000, unsecured and repayable in whole in 2016. The coupon rate of the Corporate Bond is fixed at 6.5% per annum and the coupon interest is paid annually.

The interest rate for the variable-rate borrowings is based on LIBOR/PBCBLR plus a margin for both years.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**2.26% to 7.80%**	1.08% to 7.20%
Variable-rate borrowings	**2.16% to 7.05%**	2.16% to 7.80%

As at 31 December 2014, the Group has borrowings of USD66,071,000, equivalent to RMB404,287,100 (2013: USD64,720,000, equivalent to RMB394,591,000) which are denominated in foreign currency of the relevant group entities.

25. OBLIGATION UNDER FINANCE LEASE

	2014 **RMB'000**	2013 RMB'000
Analysed for reporting purposes as:		
Current liabilities	**34,568**	50,684
Non-current liabilities	**–**	33,065
	34,568	83,749

In July 2010, the Group entered into a finance lease agreement pursuant to which the Group sold its machineries amounting to RMB221,397,000 to an independent third party and leased back the machineries with a lease period of 5 years. In August 2012, the Group early terminated the finance lease agreement entered into in July 2010 and entered into a new finance lease agreement. Under the new finance lease agreement, the Group sold its machineries to an independent third party and leased back the machineries with a lease period of 3 years. In addition, the ownership of leased assets will be transferred to the Group at a purchase option of RMB10,000 upon the settlement of the payable under the finance lease arrangement and the interest accrued under the lease arrangement. Interest rate underlying the obligation under finance lease is fixed at respective contract dates by 5.84% (2013: 5.84%) per annum.

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25. OBLIGATION UNDER FINANCE LEASE (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance lease				
Within one year	**36,693**	54,924	**36,693**	50,684
In more than one year but not more than two years	**–**	36,693	**–**	33,065
In more than two years but not more than five years	**–**	–	**–**	–
	36,693	91,617	**36,693**	83,749
Less: Future finance charges	**(2,125)**	(7,868)	**–**	–
Present value of lease obligation	**34,568**	83,749	**36,693**	83,749
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(36,693)**	(50,684)
Amount due for settlement after 12 months			**–**	33,065

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

26. SHARE CAPITAL

The Company	**Number of shares**	**Amounts**
		HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 2014	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2013, 31 December 2013 and 2014	1,260,000,000	12,600,000

	2014	2013
	RMB'000	RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,039**	13,039

27. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 29 May 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 29 May 2017. Under the Scheme, the board of directors of the Company, at their discretion, may grant options to:

(i) any eligible employees, including executive, non-executive and independent non-executive directors and also consultants or advisors of the Company or its subsidiaries or any entity in which the Group holds any equity interest ("Invested Entity"), to subscribe for shares in the Company;

(ii) any supplier of goods and services to any member of the Group or any Invested Entity;

(iii) any customer of the Group or any Invested Entity;

(iv) any person or entity that provides research, development or other technological support provided to the Group or any Invested Entity; and

(v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group and any Invested Entity.

The total number of shares which may be issued upon exercise of the options to be granted under the Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Scheme. Without prior approval from the Company's shareholders, the maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12 month period is not permitted to exceed 1% of the share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of their associates in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Option granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option. The exercise price is determined by the directors of the Company, and must be at least the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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27. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2014:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2014	Grant during the year	Lapsed during the year	Outstanding at 31.12.2014
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	8,000,000	–	(8,000,000)	–
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	8,000,000	–	(8,000,000)	–
18.7.2014	18.7.2014 to 17.1.2015	0.33	18.1.2015 to 17.7.2017	–	20,130,000	–	20,130,000
18.7.2014	18.7.2014 to 17.7.2015	0.33	18.7.2015 to 17.7.2017	–	20,130,000	–	20,130,000
				16,000,000	40,260,000	(16,000,000)	40,260,000
Exercisable as at 31 December 2014							–

The Group recognised the total expense of RMB2,127,000 (2013: nil) in relation to share options granted by the Company.

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2013:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2013	Forfeited during the year	Lapsed during the year	Outstanding at 31.12.2013
4.7.2011	4.7.2011 to 3.1.2012	0.99	4.1.2012 to 3.7.2014	9,200,000	(400,000)	(800,000)	8,000,000
4.7.2011	4.7.2011 to 3.7.2012	0.99	4.7.2012 to 3.7.2014	9,200,000	(400,000)	(800,000)	8,000,000
3.3.2008	3.3.2008 to 2.3.2009	2.012	3.3.2009 to 2.3.2013	11,444,000	–	(11,444,000)	–
3.3.2008	3.3.2008 to 2.3.2010	2.012	3.3.2010 to 2.3.2013	4,516,000	–	(4,516,000)	–
				34,360,000	(800,000)	(17,560,000)	16,000,000
Exercisable as at 31 December 2013							16,000,000

The estimated fair value of the share options granted on 18 July 2014 and 4 July 2011 were HK$0.1 (equivalent to RMB0.077) and HK$0.34 (equivalent to RMB0.283), respectively.

28. RESERVES

Statutory surplus reserve

Each of the Company's PRC subsidiary's Articles of Association requires the appropriation of 10% of its profit after tax determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC each year to the statutory surplus reserve until the balance reaches 50% of the share capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into share capital and expansion of the production and operation.

Special reserve

The special reserve represents the aggregate amount of the share capital and share premium of the subsidiaries which were acquired by the Company at the date of the group reorganisation less the consideration payable to the then shareholders.

Other reserve

In July 2011, the Group acquired the remaining 30% equity interest of one of its subsidiaries from the non-controlling shareholders for an aggregate consideration of RMB13,952,000. The excess of the fair value of the consideration paid over the adjustment to non-controlling interests has been recognised directly to equity.

29. DEFERRED TAXATION

	Fair value adjustment at acquisition RMB'000	Temporary differences arising from withholding tax RMB'000	Total RMB'000
At 1 January 2013	2,887	10,355	13,242
Credit for the year	(558)	–	(558)
At 31 December 2013	2,329	10,355	12,684
Credit for the year	(1,099)	1,021	(78)
At 31 December 2014	1,230	11,376	12,606

At 31 December 2014, the Group has estimated unutilised tax losses of RMB608,418,000 (2013: RMB596,218,000) available to set off against future assessable profit. No deferred tax asset has been recognised due to the unpredictability of future profit stream. The unrecognised tax losses will expire on various dates up to 2019 (2013: various dates up to 2018).

During the year ended ended 31 December 2014, the Group has deducible temporary difference arising from direct write-off of inventories of RMB356,000 (2013: RMB356,000). No deferred tax asset had been recognised in relation to such deductible temporary difference can be utilised.

Under the EIT law of PRC, a 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred tax liabilities of RMB11,376,000 (2013: RMB10,355,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

In addition, there was no other material unprovided deferred tax at the end of the reporting period.

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30. OPERATING LEASES

Minimum lease payments paid under operating leases during the year:

	2014 RMB'000	2013 RMB'000
Premises	1,354	1,058
Land	13,645	2,411
	14,999	3,469

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014 RMB'000	2013 RMB'000
Within one year	7,835	4,050
In the second to fifth year inclusive	31,297	17,514
After five years	199,601	136,292
	238,733	157,856

Operating lease payments include rentals payable by the Group for its warehouses, office premises and land. Lease terms for warehouses and office premises are ranged from 1 to 5 years with fixed rental. Lease terms for land are negotiated for an average term of 30 years and rental are adjusted for every three years.

31. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	136,936	28,920

32. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets for security of the Group's borrowings and obligation under finance lease:

	2014 RMB'000	2013 RMB'000
Property, plant and equipment	**517,789**	647,575
Prepaid lease payments	**27,144**	57,438
Pledged bank deposits	**41,425**	22,657
Inventories	**385,591**	164,853
	971,949	892,523

33. RELATED PARTY DISCLOSURES

(a) During the year, the Group entered into the following transactions with related companies:

	Interest income received	
	2014 RMB'000	2013 RMB'000
Related companies (note)	**–**	60

Note: The related companies are beneficially owned and controlled by a director of the Company who is also a shareholder of the Company. In addition, during the year, the Group had made advancement to the related companies which carries interest at prevailing market rates. During the year, the related companies had made repayment to the Group.

(b) Except for the amounts due from related companies as disclosed in note 21 and the balance of dividend payable to the non-controlling shareholders of a subsidiary, who include one director of the Company, one director of that subsidiary and a company beneficially owned and controlled by a director of the Company, disclosed in the consolidated statement of financial position of the Group, in the opinion of the directors, there are no other material balance and transactions with the related companies of the Group.

(c) Compensation of key management personnel

Other than the emoluments paid to directors of the Company as set out in note 13, who are considered as the key management of the Group, the Group did not have any other significant compensation to key management personnel.

34. RETIREMENT BENEFITS SCHEME

The Group participates in a defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 20% of the local standard basic salaries.

During the year, the retirement benefit scheme contributions amounted to RMB6,414,000 (2013: RMB7,599,000).

35. CONTINGENT LIABILITIES

During the year, the Group was sued by its competitor in the USA in respect of obtaining access of trade secrets of a sweet potato juice concentrate through the competitor's former employee. The case is still in the progress of court procedures. Up to the date of this report and to the best of the directors' knowledge, the Company believes that the claims lack merit and will vigorously defend such actions. As the amount of damages to be claimed by the counterparty is uncertain, no contingent liability has been accrued.

36. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

On 21 June 2013, the Group completed the acquisition of the entire registered shares of Shaanxi Haisheng Modern Agriculture Company Limited ("Modern Agriculture") from a director and a connected party of the Group, at a consideration of RMB3,000,000. The Group obtained control over these entities on the date of completion of the acquisition which have been accounted for using purchased method. No goodwill or discount on the acquisition of subsidiaries. Modern Agriculture, together with its wholly owned subsidiaries, were engaged in agricultural activities which are apples and other fruits plantation in the PRC. Details of the biological assets are set out in note 18.

	RMB'000
The net assets acquired:	
Biological assets	25,520
Property, plant and equipment	21,973
Prepaid rental and other receivables	16,484
Bank balances and cash	2,168
Inventories	1,905
Amount due to a group company	(53,312)
Trade and other payables	(11,738)
Net assets acquired	3,000
Total consideration satisfied by:	
Cash	3,000
Net cash outflow arising on acquisition:	
Cash consideration paid	3,000
Less: Bank balances and cash acquired	(2,168)
	832

Had the acquisition of Modern Agriculture been effected at 1 January 2013, since the revenue and loss of the acquire for 2013 were insignificant, there would be no material impact on the revenue and the loss of the Group for the year ended 31 December 2013.

37. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 28 October 2013, Shaanxi Haisheng, a subsidiary of the Company, entered into an agreement with an independent third party to dispose of 100% equity interest in 萊陽伊天果汁有限公司 translated as Laiyang Yi-Tian Juice Co., Ltd. ("Laiyang"), a wholly-owned subsidiary of Shaanxi Haisheng, at a consideration of RMB26,000,000 in which RMB21,000,000 was received during the year ended 31 December 2013 and RMB5,000,000 was received during the year ended 31 December 2014. The proceeds of disposal were expected to exceed the carrying amount of the relevant assets and liabilities, accordingly, no impairment loss had been recognised on the assets which were classified as assets held for sale during the year ended 31 December 2013. The disposal of Laiyang was completed during the year ended 31 December 2014.

Disposal of Laiyang had been completed during the year.

The major classes of assets and liabilities of Laiyang classified as held for sale are as follows:

	RMB'000
Property, plant and equipment (note)	10,913
Prepaid lease payments for land (note)	4,214
Inventory	50
Other receivables	2
Bank balances and cash	347
Total assets classified as held for sale	15,526
Other payables	343
Total liabilities classified as held for sale	343

Note: Buildings included in property, plant and equipment and prepaid lease payments for land were held under medium-term lease in the PRC.

Analysis of assets and liabilities over which control was lost:

	RMB'000
Consideration received	26,000
Net assets disposed of	(15,183)
Gain on disposal	10,817

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 RMB'000	2013 RMB'000
ASSETS		
Investments in subsidiaries	**629,164**	629,164
Amounts due from subsidiaries	**21,011**	21,762
Bank balances	**3,920**	5,774
Dividend receivable	**7,085**	7,061
	661,180	663,761
LIABILITIES		
Other payables	**1,068**	1,011
	1,068	1,011
	660,112	662,750
CAPITAL AND RESERVES		
Share capital (note 26)	**13,039**	13,039
Share premium and reserves*	**647,073**	649,711
	660,112	662,750

* Movements in share premium and reserves during the current and prior years are as follows:

	Share premium RMB'000	**Contributed surplus RMB'000**	**Share options reserve RMB'000** (Note 27)	**Accumulated profits RMB'000**	**Total RMB'000**
At 1 January 2013	202,327	431,247	18,055	1,272	652,901
Loss for the year	–	–	–	(3,190)	(3,190)
Lapse of share options	–	–	(7,791)	7,791	–
At 31 December 2013	202,327	431,247	10,264	5,873	649,711
Loss for the year	–	–	–	(4,765)	(4,765)
Recognition of equity-settled share-based payments	–	–	2,127	–	2,127
Lapse of share options	–	–	(10,264)	10,264	–
At 31 December 2014	202,327	431,247	2,127	11,372	647,073

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to a group reorganisation.

39. PRINCIPAL SUBSIDIARIES

The particulars of the principal subsidiaries of the Company as at 31 December 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company: Directly 2014	Directly 2013	Indirectly 2014	Indirectly 2013	Principal activities
Wisdom Expect Investments Limited	The British Virgin Islands	Ordinary shares US$200	**100%**	100%	**–**	–	Investment holding
Shaanxi Haisheng[1]	The PRC	RMB185,780,000	**16.6%**	16.6%	**83.0%**	83.0%	Manufacture and sale of fruit juice concentrate
Dalian Haisheng[1]	The PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
Qingdao Haisheng[1]	The PRC	RMB275,000,000	**25.1%**	25.1%	**74.6%**	74.6%	Manufacture and sale of fruit juice concentrate
安徽碭山海升果業有限公司 translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd[2]	The PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Qixia Haisheng[2]	The PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	The USA	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
Yitian Shaanxi[2]	The PRC	RMB143,174,014	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
新疆阿拉爾海開果業有限責任公司 translated as Shinjang Haisheng Fresh Fruit Juice Co., Ltd[2]	The PRC	RMB50,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Modern Agriculture	The PRC	RMB3,000,000	**–**	–	**99.6%**	100%	Plantation and sale of apples, other fruits and production and sale of feed

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39. PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(1) Sino-foreign owned enterprise established in the PRC.
(2) Wholly foreign owned enterprise established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

40. EVENT AFTER THE REPORTING PERIOD

On 5 December 2014, Shaanxi Haisheng, a subsidiary of the Group entered into a capital increase agreement with Modern Agriculture, Shaanxi Financial Holding Group Company Limited and China Agriculture Industry Development Fund Co., Ltd., both of which were independent third parties at the time of the agreement, to inject an additional RMB430 million capital into Modern Agriculture, a subsidiary of the Group (the "Capital Injection").

Upon the completion of the Capital Injection, the Group's equity interest in Modern Agriculture will be diluted to approximately 58.20%.

Details of the transactions are set out in the circular of the Company dated 24 December 2014.

Up to the date of approval of this report, the registrations for the changes in name and shareholders of Modern Agriculture with the relevant PRC local governmental authorities are in process.