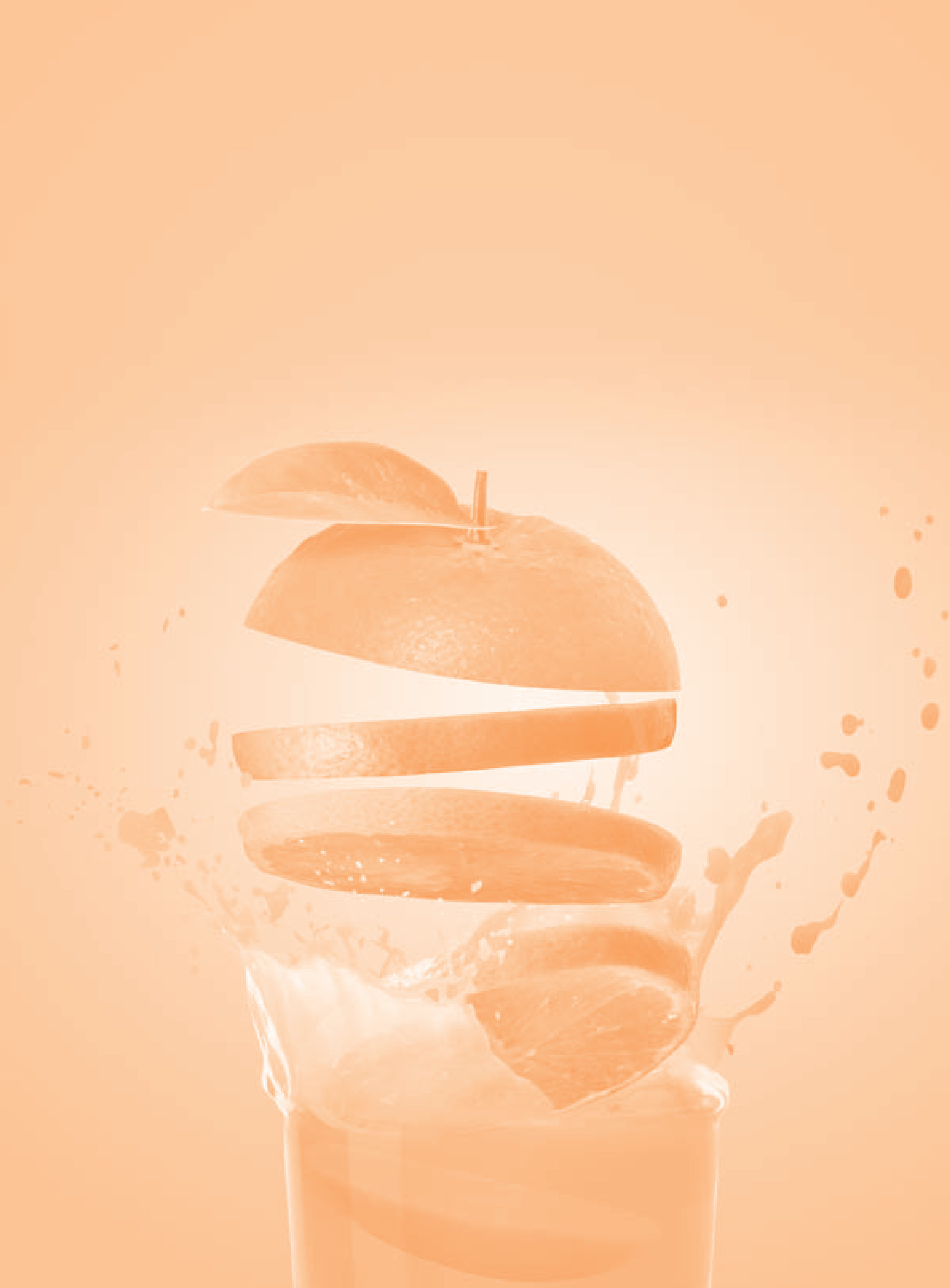
HAISHENG

2015
Annual Report

China Haisheng Juice Holdings Co.,Ltd.

中國海升果汁控股有限公司

Stock Code : 359



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Corporate Information

STOCK CODE
359

EXECUTIVE DIRECTORS:
Mr. Gao Liang *(Chairman)*
Mr. Zhang Xiang *(resigned on 10 August 2016)*
Mr. Ding Li
Mr. Zhao Chongjun
Mr. Wang Linsong *(appointed on 10 August 2016)*

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

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room B, 3rd Floor
Eton Building
288 Des Voeux Road Central
Hong Kong

WEBSITE ADDRESS
www.chinahaisheng.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS
Agriculture Bank of China
The Export-Import Bank of China
Bank of China

AUDITORS
Crowe Horwath (HK) CPA Limited
Certified Public Accountants
9/F, Leighton Centre 77 Leighton Road
Causeway Bay Hong Kong

LEGAL ADVISER
Kwok Yih & Chan
Suite 2103-05
21st Floor
9 Queen's Road Central
Hong Kong

Financial Highlights

	As at 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**2,131,341**	1,676,180	1,466,152	1,457,497	1,470,192
Net-current (liabilities)/assets	**(618,883)**	12,204	(5,984)	(257,163)	(276,579)
Non-current liabilities	**(381,505)**	(698,606)	(495,749)	(179,487)	(92,850)
	1,130,953	989,778	964,419	1,020,847	1,100,763
Share capital	**13,061**	13,039	13,039	13,039	13,039
Reserves	**969,355**	974,434	949,233	1,005,504	1,085,213
Equity attributable to owners of the Company	**982,416**	987,473	962,272	1,018,543	1,098,252
Non-controlling interests	**148,537**	2,305	2,147	2,304	2,511
Total equity	**1,130,953**	989,778	964,419	1,020,847	1,100,763

	For the year ended 31 December				
	2015	2014	2013	2012	2011
	RMB'000	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,143,990**	1,237,010	1,669,210	1,918,330	2,106,423
Profit (Loss) before tax	**7,025**	24,631	(52,831)	(52,361)	172,606
Income tax expense	**(1,317)**	(1,428)	(3,367)	(3,764)	(9,714)
Profit (Loss) for the year	**5,708**	23,203	(56,198)	(56,125)	162,892
Profit (Loss) for the year attributable to:					
Owners of the Company	**(1,411)**	23,045	(56,041)	(55,918)	161,983
Non-controlling interests	**7,119**	158	(157)	(207)	909
	5,708	23,203	(56,198)	(56,125)	162,892

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board") of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice") or (the "Company"), together with its subsidiaries collectively (the "Group"), I hereby present the report of the consolidated results of the Company for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group recorded a revenue of approximately RMB1,144.0 million and a loss attributable to owners of the Company of approximately RMB1.4 million.

After consolidation and adjustments in recent years, the international apple juice concentrates market has gradually become reasonably stable. In 2015, the total export of the apple juice concentrates in China has increased as compared with the previous year with a slight decrease in average sales price. In the year under review, the Group has launched a series of reform measures, such as productivity optimization, destocking and cost reduction, in the traditional processing segments to provide a new market space for corporate strategic development. Particularly, as we position ourselves as a high-end beverage brand, we successfully researched and developed and produced 5 flavours of "Eden View" bottled juice and received positive market response.

Following the deepening reform and the formal implementation of the Thirteenth Five-Year Plan, the PRC government will further accelerate the agricultural modernization and support and establish certain agricultural industrialized leading enterprises with advanced production technology, production standard and production model to improve the general development of agriculture in China. As the leading company of national agricultural industrialization, the Group has first introduced the global advanced seedlings, varieties, cultivation techniques and agricultural facilities to the area favourable for fruit cultivation in order to develop modern farming business. Currently, the product mix mainly includes apple, other fruits with high economic value are also introduced. The Group has adopted dwarf rootstock and close planting method to plant fruit trees with short clown and high density planting. These trees can save water and fertilizers and reduce labor cost, have earlier ripening dates and provide high production volume with good quality. This cultivation method is widely adopted by the countries with advanced apple production skills, which is also the development direction of the modern apple business in China.

During 2015, the Group's development faced many difficulties and challenges. Under the leadership of our diligence management team, all of our staff has forged ahead to accomplish the main targets for the year with firm confidence and extraordinary courage, even facing difficulties. The reform of our Group has shown results and laid a solid foundation for diversified development and has strengthened the Group's ability to resist risks and the future profit foundation. Although the result in the previous year was satisfied, however, we foresee that there are still many difficulties and challenges in future development. The Board will lead all our staff in Haisheng to be well prepared with an aim to create a better future for our Group.

PROSPECT

Apple juice concentrate is a mild juice base with a stable market demand. In line with the global economic recovery, we expect the export and price of apple juice concentrate will gradually become reasonable and stable. Since the domestic consumers concern about healthy diet, we believe quality brand fresh fruit market will be further expanded. Our Group will continue to enhance the cultivation management level of fresh fruit products in order to generate more revenue for the Company.

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 management team and staff for their contribution to the development of the Group during the reform of the Company. In the coming year, the Group will continue to enhance operating performance in every headquarter and factory based on the existing foundation to supply various juice concentrate products, bottled juice products and high quality fresh fruit products for our downstream partners. The Group will maintain our existing business and also actively explore the industry development opportunities, continuously enhance the Company's operation level and shareholders' value.

By order of the Board
Gao Liang
Chairman

Xi'an, The PRC
29 July 2016

Management Discussion & Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2015, the Group recorded a revenue of approximately RMB1,144.0 million, representing a decrease of 7.5% over previous year. Gross profit margin for the current year is 17.0% as against 16.6% in previous year.

The decrease in revenue in 2015 was mainly attributable to the decrease in average selling price of the products.

The slight increase in gross profit margin was mainly attributable to the decrease in unit production cost of the products of the Group.

Other income increased by 44.7% to approximately RMB144.0 million which was mainly due to the increase in subsidies from the PRC Government.

Other gains and losses decreased slightly by 1% to approximately RMB43.1 million which were mainly due to the gain on disposal of bearer plants net of net foreign exchange loss.

The increase in distribution and selling expenses by 8.3% to approximately RMB132.2 million was mainly attributable to the increase in freight charges by shipping companies during the current year.

The increase in administrative expenses by 20.4% to approximately RMB122.7 million was mainly attributable to the expansion of the agricultural business as the Group had 30 new planting bases in 2015.

The finance costs remained the same at approximately RMB107.5 million which were mainly attributable to the relatively stable in the overall level of bank borrowings and obligation under finance leases in both 2015 and 2014.

Attributable mainly to the aforesaid, the Group sustained an audited loss attributable to owners of the Company of approximately RMB1.4 million, as compared to an audited profit attributable to owners of the Company of approximately RMB23.0 million in the previous year.

Liquidity and financial resources

The treasury policy of the Group is centrally managed and controlled at the corporate level.

As at 31 December 2015, the Group's bank and other borrowings and obligations under finance leases amounted to approximately RMB1,778.3 million (as at 31 December 2014: RMB1,804.9 million), among which, approximately RMB564.2 million (as at 31 December 2014: RMB1,154.7 million) were secured by way of charge on the Group's assets. Approximately RMB344.8 million were denominated in US dollars while approximately RMB1,433.5 million were denominated in RMB.

	2015 RMB'000	2014 RMB'000
Bank loans	**1,116,389**	1,320,287
Other borrowings (note)	**450,000**	450,000
Loan from government	**1,295**	–
Obligations under finance leases	**210,631**	34,568
	1,778,315	1,804,855

Note: 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 was RMB450,000,000. The Corporate Bond was unsecured and the coupon rate of the Corporate Bond was fixed at 6.5% per annum and the coupon interest was paid annually. The Corporate Bond was fully repaid upon maturity in February 2016.

The interest rate for the variable-rate borrowings is based on London Interbank Offered Rate/The People's Bank of China Base Lending Rate plus a margin for both years.

As at 31 December 2015, the cash and bank balances including pledged bank deposits amounted to approximately RMB124.3 million (as at 31 December 2014: RMB215.1 million).

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank loans, bills payable, other borrowings and obligations under finance leases less pledged bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. At 31 December 2015, the gearing ratio was 148.5% (2014: 170.7%).

Pledge of assets

As at 31 December 2015, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits, inventories and value added tax recoverable for security of the Group's borrowings and obligation under finance lease with carrying amount of approximately RMB1,008.6 million (as at 31 December 2014: RMB1,115.8 million).

Capital injection into a subsidiary of the Group

During the year under review, additional capital of RMB380 million were injected by the Group and independent investors into Shaanxi Modern Fruit Group Co., Ltd. (previously named as Shaanxi Haisheng Modern Agriculture Company Limited) ("Modern Fruit"), a subsidiary of the Group, to develop the agricultural business. The percentage of equity interests of Modern Fruit held by the Group was diluted and detail of which was disclosed in note 41 to the consolidated financial statements.

Exposure of foreign exchange

US dollar is one of the major settlement currencies for sales of the Group. The fluctuation of the exchange rate of US dollar against RMB during the year under review has no significant impact on the Group's financial position.

Contingent Liabilities

During the year ended 31 December 2014, the Group was sued by its competitor (the "case") in the USA in respect of obtaining access of trade secrets of sweet potato juice concentrate through the competitor's former employee. The directors of the Company, to the best of their knowledge, believed that the claims lacked merit and would vigorously defend such actions. As the amount of damages to be claimed by the counterparty was uncertain, no contingent liability has been accrued as at 31 December 2014. On 26 May 2015, the USA court dismissed the case without prejudice and the case was closed.

BUSINESS REVIEW

Juice Concentrate and By-Product Processing Segment

In 2013 and 2014, since Europe, the second largest apple producer in the world, sold a significant volume of apple juice concentrate to the international market, the price of apple juice concentrate in the international market dropped, together with a declined export volume of apple juice concentrate from China. However, apple juice concentrate produced in Europe is highly acid while those produced in China is low acid. As food and beverages manufacturers have rigid demand for apple juice concentrate with different acidity, the international customers increased their percentage of purchase of apple juice concentrate produced in China in 2015, which made the export volume of apple juice concentrate from China recording a slight increase. During the reporting period, the Group remained as the largest exporter of apple juice concentrate in China. The percentages of the exporting volume from China to America and Canada, Eastern Europe, Australia and New Zealand and Europe were increased by 4%, 8%, 3% and 2% respectively.

In juice concentrate processing segment, the Group reduced the production cost of juice concentrate products by stably controlling raw materials price and improving production efficiency. Through suggesting product solutions of compound fruit juice beverage concentrate for major customers, the Group won stronger customers' loyalty and recorded a higher sales volume. During the reporting period, the Group's plants in Xinjiang and apple plantation base passed the organic certification of European Union and USA, which are now capable and qualified for supplying organic juice.

Management Discussion & Analysis

In not-from-concentrate and by-product processing operation, the Group continued to optimize product mix and increased the proportion of products with high profit-margin in order to improve our operation. During the reporting period, the Group made process in improving product mix: changing the juice concentrate production line in Wainan plant to quality fructose production line to provide customer with high-quality fructose products; completing the construction of pectin production line in Dangshan, Anhui, which allow the Group to deep process the intermediate products of apple juice concentrate for extracting high value-added natural pectin of apple. Products from trial production has been highly recognized by customers; upgrading and modifying beverage bottling line for the purpose of launching 5 new bottled drinks under "Eden View" series at the end of the year, which has been well-accepted by the market; and completing the R&D and trail production of NFC fresh juice and freeze-dried products of "Eden View" crunchy fruit series.

In 2015, the Group's labs passed ISO17025 certification and completed the registrations of two patents in the PRC as below:

Lactic acid bacteria fruit juice beverage and its preparation Technology (accepted)	Patent No. 201510375190.X
Compound fruit juice beverage and its production process (accepted)	Patent No.201510376954.7

Prospect

In 2016, based on consolidating existing business, the Group will continue adjust product mix and create more profit points in order to achieve a healthful and stable development of the Group's processing business. The Group will enhance the R&D and production of end products, including bottled drinks, NFC juice and crunchy fruit, and actively extend the marketing channel of products under "Eden View" brand in order to enhance customers' acceptance of "Eden View" brand.

Fresh fruit plantation and circulation

During the reporting period, the Group kept optimizing industrial chain and made a breakthrough in seedling breeding, species selection, field construction for demonstration purpose, sorting and storage, packaging and logistic and brand name development.

As for seedling breeding, the Group established good cooperative relationship with research institutions and seedling breeding institutions around the world and started trial cultivation of nearly 100 new varieties of apple and berry with an aim to select quality and new variety to upgrade existing apple and berry in our fields and to provide consumers with more high quality choices. During the reporting period, the Group formally introduced a number of quality and new varieties of apple and berry, and the Group is the exclusive planter of honey crisp apple in China. Margil apple produced by the Group was chosen from fine selection and examination, and has been qualified as the exclusive gift fruit of the Ministry of Foreign Affairs for the Parade commemorating 70th anniversary of the victories of Anti-Japanese War of the Chinese people and the World Anti-Fascist War.

As for field construction for demonstration purpose, the Group established 45 modernized fruits plantation bases with site area of approximately 43,400 mus in Aqsu, Xinjiang, to the west, Dalian, Liaoning to the east, Shenyang to the north and Zhaotong, Yunnan to the south. The construction of all of the bases has fully complied with the standards under the Global Good Agricultural Practices ("Global GAP"). Plantation base in Aqsu, Xinjiang has passed the organic certification of European Union and USA. The Group's main product is apple and certain high-end fine fruits, including baby carrot, kiwi, cherry, strawberry and blueberry. We intend to provide numerous standardized, high quality and high-end fruits products to customers. During the reporting period, the Group introduced a set of cutting-edge intelligent greenhouse technology from Netherlands and started the construction of multi-span greenhouse of 50,000 m2 in Tongchuan, which adopts lifted base soilless culture for planting strawberry that is able to keep strawberry green throughout the year and realizes highly effective and intensive plantation.

As for sorting, storage and logistics, the Group built an advanced technology modern apple assembly and storage industrial park among the world in Qianyang County, Shaanxi Province, which integrates process of apple sorting, packaging and cold storage with world top technology. In addition, the Group also established a cold chain logistic fleet, which allowed us to materialize integrated cold-chain delivery and guarantee the quality of end products.

As for brand development and sales, products under the brand name of "Eden View" with traits "healthy, fresh, tasy" are certificated by numerous high-end supermarket, including Wikiwand Supermarket, Metro, Renrenle, Rainbow, Ito Yokado and China Resources Vanguard Shop. Also, the Group has established long-term cooperative relationships with large distributors, including Golden Wing Mau, Jianong, Lvhai and Pagoda. In addition, the Group has established online distribution channels on JD.COM, Tmall and Alibaba.

Prospect

In 2016, the Group will further optimize product mix in agricultural cultivation, improve production and management standard and increase output volume of unit area and output rate of commodity fruits. Apple processing demonstration park built by the Group will commence operation in 2016. It can accurately categorize products according to various criteria, such as size, exterior appearance and brix. Also, it can operate cold storage throughout a year, allowing us to stably supply quality and fresh fruits to the market. In the future, based on modernized agriculture and cultivation businesses, the Group will further develop agricultural tourism business.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 55, 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 36, joined the Group in 2003. Mr. Zhang was currently the standing vice president and executive director of the Group, and was 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.

With effect from 10 August 2016, Mr. Zhang resigned as an executive director of the Company due to his career development.

Mr. Ding Li (丁力), aged 43, 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 40, 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.

New Director to the Board

On 10 August 2016, the Board announced the appointment of Mr. Wang Linsong as an executive director of the Company with effect from 10 August 2016.

Mr. Wang Linsong(王林松), aged 35, an executive Director who joined the Group since 2007. He is now the Group's chief officer of human resources, the general manager of the agriculture facilities department, agricultural tourism department and vegetable business department. Mr. Wang is responsible for the human resources and new business development of the Group. Mr. Wang obtained a master degree in Food Science at the North West A&F University in China in 2007.

Independent Non-executive Directors

Mr. Zhao Boxiang (趙伯祥), aged 71, 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 74, 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 47, 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 44, 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 of the Company and to invite the chairman of audit, remuneration and nomination committee to attend. Regarding the Second Deviation and the Third Deviation, the Chairman and two INEDs, namely Mr. Zhao Boxiang (chairman of remuneration committee) and Mr. Li Yuanrui, were absent from both the last annual general meeting of the Company held on 15 May 2015 and the extraordinary general meeting of the Company held on 16 January 2015 due to their other important engagements at the relevant time. Other Board committee members, including members of the remuneration and nomination committees, attended the aforesaid general meetings and made themselves available to answer questions.

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 2015.

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 four 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	Attendance/Number of General Meetings
Executive Directors		
Mr. Gao Liang *(Chairman)*	4/4	0/2
Mr. Zhang Xiang	4/4	0/2
Mr. Ding Li	4/4	0/2
Mr. Zhao Chongjun	4/4	1/2
Independent non-executive Directors		
Mr. Zhao Boxiang	4/4	0/2
Mr. Li Yuanrui	4/4	0/2
Mr. Chan Bing Chung	4/4	2/2

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.

The corporate governance functions of the Company are performed by the Board. In 2015, the Board reviewed the Company's policies and practices on corporate governance, reviewed and monitored the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements as well as the company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

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 remuneration committee comprised of three members, Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Chan Bing Chung. All of the members were independent non-executive Directors. The Chairman of remuneration committee is Mr. Zhao Boxiang.

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 following is a summary of the work performed by the Audit Committee in 2015:

Review of the report from the auditors on the audit of the final results of the Group for the year ended 31 December 2014;

Review of the draft financial statements of the Group for the year ended 31 December 2014;

Review of the draft results announcement and annual report of the Group for the year ended 31 December 2014;

Review of the external auditors' independence and transmission of a recommendation to the Board for the re-appointment of the external auditors at the forthcoming annual general meeting ("AGM");

Review of the draft results announcement and interim report of the Group for the period ended 30 June 2015;

Debriefed the internal control work on a periodic basis to urge improvement:

Debriefed and discussed with the senior management and the external auditor on the progress of the audit work performed by the external auditor.

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 2015 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 2015, the fees paid or payable in respect of audit service provided by the Group's external auditor, Crowe Horwath (HK) CPA Limited, amounted to RMB2,600,000.

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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective risk management and 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 risk management and 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 2015, 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, 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 of Association, 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 2015.

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.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year under review are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report.

This discussion forms part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 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 2015.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB307.5 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 18 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 2015 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 31 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 RMB638.4 million as at 31 December 2015. 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) of the Articles of Association, Mr. Chan Bing Chung, Mr. Li Yuanrui and Mr. Zhao Boxiang 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, all of which commenced from 16 May 2015..

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. The Company intends to enter into new letter of appointments with Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Chan Bing Chung.

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 TRANSACTION, ARRANGEMENTS AND CONTRACTS

No transaction, arrangement or 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

Except for the share options granted to the executive Directors and their associate as disclosed on page 20, 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision has been in force throughout the year ended 31 December 2015. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Company for the year ended 31 December 2015.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Schemes as disclosed below, no equity-linked agreements were entered into by the Company subsisted at the end of the year or at any time 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.

Directors' Report

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

Category and name of grantees	Date of grant	Exercise price (HK$)	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2015
Directors and their respective associates								
Mr. Gao Liang	18.7.2014 (Note 1)	0.33	12,000,000	–	–	–	–	12,000,000
Mr. Ding Li	18.7.2014 (Note 1)	0.33	972,000	–	–	–	–	972,000
	23.7.2015 (Note 2)	0.455	–	1,152,000	–	–	–	1,152,000
Mr. Zhang Xiang	18.7.2014 (Note 1)	0.33	972,000	–	–	–	–	972,000
	23.7.2015 (Note 2)	0.455	–	1,152,000	–	–	–	1,152,000
Mr. Zhao Chongjun	18.7.2014 (Note 1)	0.33	972,000	–	–	–	–	972,000
	23.7.2015 (Note 2)	0.455	–	1,152,000	–	–	–	1,152,000
Ms. Xie Haiyan (Note 3)	18.7.2014 (Note 1)	0.33	552,000	–	–	–	–	552,000
	23.7.2015 (Note 2)	0.455	–	700,000	–	–	–	700,000
Employees in aggregate	18.7.2014 (Note 1)	0.33	24,792,000	–	(2,648,000)	–	(504,000)	21,640,000
	23.7.2015 (Note 2)	0.455	–	35,156,000	–	–	–	35,156,000
			40,260,000	39,312,000	(2,648,000)	–	(504,000)	76,420,000

Notes:

1. 50% of the share options granted on 18 July 2014 should be vested for six months (i.e. from 18 July 2014 to 17 January 2015) and the Exercisable period for this tranche of option should be 18 January 2015 to 17 July 2017. The remaining 50% should be vested for twelve months (i.e. from 18 July 2014 to 17 July 2015) and the Exercisable period for this tranche of option should be 18 July 2015 to 17 July 2017.

2. 50% of the share options granted on 23 July 2015 should be vested for six months (i.e. from 23 July 2015 to 22 January 2016) and the Exercisable period for this tranche of option should be 23 January 2016 to 22 July 2018. The remaining 50% should be vested for twelve months (i.e. from 23 July 2015 to 22 July 2016) and the Exercisable period for this tranche of option should be 23 July 2016 to 22 July 2018.

3. Ms. Xie Haiyan is the spouse of Mr. Gao Liang, being an associate of an executive Director.

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

As at 31 December 2015, 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)	36.36%
		Interest of spouse	5,640,660 Shares (Note 2)	0.44%
		Beneficial owner	12,000,000 Shares (Note 3)	0.95%
			476,701,898 Shares	37.75%
Mr. Zhang Xiang	The Company	Beneficial owner	2,124,000 Shares (Note 3)	0.17%
Mr. Ding Li	The Company	Beneficial owner	2,124,000 Shares (Note 3)	0.17%
Mr. Zhao Chongjun	The Company	Beneficial owner	2,124,000 Shares (Note 3)	0.17%

Notes:

1. As at 31 December 2015, 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 2015, the 5,640,000 Shares (of which 1,252,000 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 5,640,600 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 2015, 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 AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, so far as known to the Directors or chief executive of the Company, the following persons or parties (other than Directors or chief executive of the Company), had interests or short positions in the shares and underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position

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)	37.31%
		Beneficial owner	5,640,660 Shares (Note 2)	0.44%
			476,701,898 Shares	37.75%
Think Honour	The Company	Beneficial owner	459,061,238 Shares (Note 3)	36.36%
Tiandi Yihao Beverage Co., Ltd.	The Company	Interest of controlled corporation	227,996,000 Shares	18.06%

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 5,640,660 Shares, 1,252,000 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.

Save as disclosed above, as at 31 December 2015, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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 year ended 31 December 2015.

STAFF AND REMUNERATION POLICIES

As at 31 December 2015, the Group had 1,592 employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors are reviewed and recommended by the remuneration committee, and decided by the Board, as authorised by the shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics.

The Company maintains a share option scheme, pursuant to which, share options are granted to selected eligible participants, to provide incentive to the option holders to participate and contribute the growth of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers in aggregate accounted for approximately 36% of the Group's total revenue and the largest customer accounted for approximately 10% of the Group's total revenue for the year 2015. The five largest suppliers in aggregate accounted for approximately 31% of the Group's total purchases and the largest supplier accounted for approximately 7% of the Group's total purchases for the year 2015.

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 2015 are set out in note 27 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.

CHARITABLE DONATIONS

The Group had no charitable donations during the year ended 31 December 2015.

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 2015.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2015.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 23 September 2016. 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 42 to the consolidated financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu was the auditor of the Company until its resignation with effect from 25 February 2016. Crowe Horwath (HK) CPA Limited has been appointed as the auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Crowe Horwath (HK) CPA Limited as auditor of the Company.

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

Xian, the PRC, 29 July 2016

Independent Auditor's Report

Crowe Horwath

國富浩華（香港）會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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 25 to 90, which comprise the consolidated statement of financial position as at 31 December 2015, 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 issued by the International Accounting Standards Board 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 financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

We draw attention in note 2 to the consolidated financial statements which indicate that the Group had net current liabilities of RMB618,883,000 and net debts of RMB1,679,636,000 as at 31 December 2015. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the ability of the Group to attain profit and positive cashflows from operations and the financial support from banks. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 29 July 2016

Chan Wai Dune, Charles
Practising Certificate Number P00712

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTE	**2015 RMB'000**	2014 RMB'000 (Restated)
Revenue	8	**1,143,990**	1,237,010
Cost of sales		**(949,858)**	(1,031,116)
Gross profit		**194,132**	205,894
Other income	10	**143,981**	99,533
Other gains and losses	11	**43,133**	43,574
Gain on disposal of a subsidiary		**–**	10,817
Gain from changes in fair value less costs to sell of biological assets		**173**	–
Distribution and selling expenses		**(132,158)**	(122,080)
Administrative expenses		**(122,652)**	(101,865)
Other expenses		**(12,118)**	(3,744)
Finance costs	12	**(107,466)**	(107,498)
Profit before tax	13	**7,025**	24,631
Income tax expense	14	**(1,317)**	(1,428)
Profit for the year		**5,708**	23,203
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**784**	29
Other comprehensive income for the year		**784**	29
Total comprehensive income for the year		**6,492**	23,232
(Loss)/profit for the year attributable to:			
Owners of the Company		**(1,411)**	23,045
Non-controlling interests		**7,119**	158
		5,708	23,203
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(627)**	23,074
Non-controlling interests		**7,119**	158
		6,492	23,232
(Loss)/earnings per share (RMB cents)			
Basic	17	**(0.11)**	1.83
Diluted	17	**(0.11)**	1.83

The notes on pages 31 to 90 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2015

	NOTE	**2015 RMB'000**	2014 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	18	**1,627,793**	1,435,169
Prepaid lease payments	19	**109,798**	92,807
Bearer plants	20	**319,139**	107,584
Prepayments for acquisition of bearer plants		**49,672**	24,580
Deposits for acquisition of property, plant and equipment		**24,939**	16,040
Total non-current assets		**2,131,341**	1,676,180
CURRENT ASSETS			
Prepaid lease payments	19	**2,526**	2,523
Biological assets	21	**6,542**	–
Inventories	22	**1,004,769**	1,077,514
Trade and other receivables	23	**276,009**	312,905
Amounts due from related companies	24	**164**	164
Pledged bank deposits	25	**24,001**	41,425
Bank balances and cash	25	**100,260**	173,690
Total current assets		**1,414,271**	1,608,221
CURRENT LIABILITIES			
Trade and other payables	26	**553,619**	374,772
Bills payables		**25,582**	100,000
Tax payable		**2,452**	2,327
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings	27	**1,406,648**	1,084,287
Obligations under finance leases	28	**43,935**	34,568
Deferred government grants	29	**855**	–
Total current liabilities		**2,033,154**	1,596,017
NET CURRENT (LIABILITIES)/ASSETS		**(618,883)**	12,204
Total assets less current liabilities		**1,512,458**	1,688,384

Consolidated Statement of Financial Position

At 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Other liabilities	26	**5,734**	–
Bank and other borrowings	27	**161,036**	686,000
Obligations under finance leases	28	**166,696**	–
Deferred government grants	29	**34,516**	–
Deferred tax liabilities	30	**13,523**	12,606
Total non-current liabilities		**381,505**	698,606
NET ASSETS		**1,130,953**	989,778
CAPITAL AND RESERVES			
Share capital	31	**13,061**	13,039
Reserves	33	**969,355**	974,434
Equity attributable to owners of the Company		**982,416**	987,473
Non-controlling interests		**148,537**	2,305
TOTAL EQUITY		**1,130,953**	989,778

The consolidated financial statements on pages 25 to 90 were approved and authorised for issue by the board of directors on 29 July 2016 and are signed on its behalf by:

Gao Liang	**Zhao Chongjun**
DIRECTOR	*DIRECTOR*

The notes on pages 31 to 90 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000 (Note 40(b))	Share option reserve RMB'000 (Note 40(b))	Special reserve RMB'000 (Note 33)	Translation reserve RMB'000 (Note 33)	Statutory surplus reserve RMB'000 (Note 33)	Other reserve RMB'000 (Note 33)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2014	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 of foreign operations	–	–	–	–	29	–	–	–	29	–	29
Profit for the year	–	–	–	–	–	–	–	23,045	23,045	158	23,203
Total comprehensive income 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	–	–	–
Appropriations from retained 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
At 1 January 2015	**13,039**	**202,327**	**2,127**	**258,722**	**(1,220)**	**172,692**	**(1,087)**	**340,873**	**987,473**	**2,305**	**989,778**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**784**	**–**	**–**	**–**	**784**	**–**	**784**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,411)**	**(1,411)**	**7,119**	**5,708**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**784**	**–**	**–**	**(1,411)**	**(627)**	**7,119**	**6,492**
Shares issued under share option scheme	**22**	**887**	**(206)**	**–**	**–**	**–**	**–**	**–**	**703**	**–**	**703**
Change in ownership interest in a subsidiary without change of control	**–**	**–**	**–**	**–**	**–**	**–**	**(9,113)**	**–**	**(9,113)**	**139,113**	**130,000**
Recognition of equity-settled share-based payments	**–**	**–**	**3,980**	**–**	**–**	**–**	**–**	**–**	**3,980**	**–**	**3,980**
Lapse of share options	**–**	**–**	**(39)**	**–**	**–**	**–**	**–**	**39**	**–**	**–**	**–**
Appropriations from retained profits	**–**	**–**	**–**	**–**	**–**	**11,239**	**–**	**(11,239)**	**–**	**–**	**–**
At 31 December 2015	**13,061**	**203,214**	**5,862**	**258,722**	**(436)**	**183,931**	**(10,200)**	**328,262**	**982,416**	**148,537**	**1,130,953**

The notes on pages 31 to 90 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**7,025**	24,631
Adjustments for:			
Depreciation of property, plant and equipment		**98,075**	104,069
Depreciation of bearer plants		**416**	486
Write off of property, plant and equipment	19(a)	**10,385**	–
Gain from changes in fair value less costs to sell of biological assets		**(173)**	–
Finance costs	12	**107,466**	107,498
Interest income	10	**(2,044)**	(864)
Amortisation of deferred government grants		**(364)**	–
Loss on disposal of property, plant and equipment	11	**967**	611
Gain on disposal of a subsidiary	41(d)	**–**	(10,817)
Gain on disposal of bearer plants	11	**(54,536)**	(44,455)
Write-down of inventories	22	**21,699**	–
Share-based payment expenses		**3,980**	2,127
Release of prepaid lease payments		**2,461**	2,558
Net foreign exchange gain		**(1,835)**	–
Operating cash flows before movements in working capital		**193,522**	185,844
Decrease in inventories		**52,500**	200,528
Decrease/(increase) in trade and other receivables		**21,553**	(15,920)
Decrease in bills receivables		**–**	5,795
Increase in biological assets		**(6,369)**	–
Increase in other liabilities		**5,734**	–
Increase in trade and other payables		**121,954**	71,180
(Decrease)/increase in bills payables		**(74,418)**	68,232
Cash from operations		**314,476**	515,659
Income tax paid		**(275)**	(1,110)
NET CASH FROM OPERATING ACTIVITIES		**314,201**	514,549
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(261,878)**	(183,507)
Purchase of bearer plants		**(250,915)**	(100,185)
Payment for prepaid lease payments		**(35,108)**	(5,911)
Decrease/(increase) pledged bank deposits		**17,424**	(18,768)
Interest received		**2,044**	864
Government grants received for acquisition of non-current assets		**35,735**	–
Proceeds on disposal of property, plant and equipment		**1,164**	4,655
Proceeds on disposal of bearer plants		**106,631**	10,872
Proceeds on disposal of a subsidiary	41(d)	**–**	5,000
NET CASH USED IN INVESTING ACTIVITIES		**(384,903)**	(286,980)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	NOTE	2015 RMB'000	2014 RMB'000 (Restated)
FINANCING ACTIVITIES			
New bank and other borrowings		**1,508,897**	1,637,450
Repayment of bank and other borrowings		**(1,714,077)**	(1,719,347)
Proceeds from shares issued under share option scheme		**703**	–
Capital element of finance lease rentals paid		**(46,522)**	(49,180)
Capital contributions from non-controlling interests		**130,000**	–
Proceeds from finance leases, net of transaction costs		**240,940**	–
Security deposits placed		**(20,000)**	–
Interest element of finance lease rentals paid		**(3,936)**	(3,746)
Interests paid on bank and other borrowings		**(99,593)**	(101,962)
NET CASH USED IN FINANCING ACTIVITIES		**(3,588)**	(236,785)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(74,290)**	(9,216)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**173,690**	182,906
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**860**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**100,260**	173,690
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
Bank balances and cash	25	**100,260**	173,690

The notes on pages 31 to 90 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room B, 3/F., Eton Building, 288 Des Voeux Road Central, Hong Kong.

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.

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. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

a) Going concern

As at 31 December 2015, the Group had net current liabilities of RMB618,883,000 and net debt of RMB1,679,636,000 as stated in note 6 to the consolidated financial statements as at 31 December 2015. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profit and positive cash flows from operations in the immediate and longer term.

The ability of the Group to operate as a going concern is dependent upon the availability of the banking facilities and the continuing support of government grants from the local governments in the PRC. As at 31 December 2015, the Group had banking facilities with several PRC banks for providing banking facilities up to approximately RMB1,563 million of which approximately RMB1,142 million were utilized. Most of these banking facilities are subject to renewal during the next 12 months. The directors are confident that these banking facilities could be renewed upon expiration based on the Group's past experience and credit history. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to strengthen the Group's liquidity in the foreseeable future, the Group has taken the following measures:

- the Group entered into medium-term loan facility agreements for RMB485 million with banks and other parties for a period of 2 to 5 years in replacing the current short-term bank loans and development of the Group;
- negotiating with banks for renewal and obtaining new banking facilities;
- the directors of the Company have been taking various cost control measures to tighten the costs of operations; and
- the Group has been implementing various strategies to enhance the Group's revenue and profitability.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group and the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future. In this connection, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b) Change in presentation of consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and consolidated statement of cash flows

In the current year, the directors of the Company decided to change the classification of certain line items in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows, involving the reclassification on the consolidated statement of profit or loss and other comprehensive income of gain on disposal of bearer plants from revenue and cost of sales to other gains and losses, on the consolidated statement of financial position of the prepayments for acquisition of bearer plants and deposits for acquisition of properties, plant and equipment to non-current assets from advances to suppliers included in trade and other receivables and on the consolidated statement of cash flows of proceeds on disposal of bearer plants and payments for acquisition of property, plant and equipment and bearer plants from cash flows from operating activities to investing activities to better reflect the financial information of the Group's activities. Prior year figures have been re-presented to reflect the new presentation. The reclassification has had no effect on the financial performance of the Group for the year ended 31 December 2014.

The effect of change in presentation for the preceding year by line item presented in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and related notes is as follows:

	Originally stated RMB'000	Reclassification RMB'000	Restated RMB'000
Consolidated statement of profit or loss and other comprehensive income			
Revenue	1,286,981	(49,971)	1,237,010
Cost of sales	(1,036,632)	5,516	(1,031,116)
Gross profit	250,349	(44,455)	205,894
Other gains and losses	(881)	44,455	43,574
Consolidated statement of financial position			
Biological assets	107,584	(107,584)	–
Bearer plants	–	107,584	107,584
Prepayments for acquisition of bearer plants	–	24,580	24,580
Deposits for acquisition of property, plant and equipment	–	16,040	16,040
Trade and other receivables	353,525	(40,620)	312,905
Non-current assets	1,635,560	40,620	1,676,180
Net current assets	52,824	(40,620)	12,204
Current assets	1,648,841	(40,620)	1,608,221
Consolidated statement of cash flows			
Net cash from operating activities	478,371	36,178	514,549
Net cash used in investing activities	(250,802)	(36,178)	(286,980)
Note 23. Trade and other receivables			
Trade receivables	176,428	(39,099)	137,329
Less: allowance for doubtful debts	(5,107)	–	(5,107)
	171,321	(39,099)	132,222
Receivable from disposal of bearer plants	–	39,099	39,099
Advances to suppliers	72,558	(40,620)	31,938

No consolidated statement of financial position as at 1 January 2014 has been presented as the change in classifications disclosed above have no effects on the financial position of the Group presented in the consolidated statement of financial position as at 1 January 2014.

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

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

Amendments to IFRS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Amendments to IAS 19, Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, the Company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

In addition, the Company has adopted the amendments to the Listing Rules issued by The Stock Exchange of Hong Kong Limited relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for the biological assets that are measured at fair value less costs of sell at the end of each reporting period, 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 and services.

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 or value in use in IAS 36.

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 significant accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) 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 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.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of consolidation (Continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

b) 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 each 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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 buildings

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Bearer plants

Bearer plants 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 fertilisers and pesticides are recognised as additions to bearer plants until the stage such infant trees start bearing fruits.

With the early adoption of the amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" in 2014, the bearer plants are accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The fair value of fruit trees and infant trees are used as deemed cost.

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 mature trees and depreciation commences. Mature trees are depreciated using straight-line method over their expected useful lives.

Bearer plants 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 bearer plants is determined as the difference between the sales proceeds and carrying amount of the bearer plants and is recognised in profit and loss.

e) Impairment losses on assets

At the end of each 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Biological assets

Biological assets comprise fruits before harvest in leased farms and are classified as current assets due to short harvesting period.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell. Where assets are held at fair value, changes in fair value are taken to the consolidated statement of profit or loss and other comprehensive income.

After harvesting, fruits are transferred to inventories as agricultural produce at their deemed cost which is fair value at the point of harvest less costs to sell. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments (Continued)

Financial assets (Continued)

Effective interest method (Continued)

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

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, 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 each 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 assets, 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) 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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity 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.

i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 4(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

j) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) 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 each 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 each 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).

n) 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.

o) 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Taxation (Continued)

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 each 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.

p) 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.

Assets-related government grants

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government grants and are amortised evenly in profit or loss over the useful lives of the related assets.

Income-related government grants

Income-related government grants that are used to compensate subsequent related expenses or losses of the Group are recognised as deferred government grants and recorded in profit or loss when the related expenses or losses are incurred. When the grant used to compensate expenses or losses that were already incurred, they are directly recognised in profit or loss for the current period.

q) Retirement benefits costs

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

r) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Short-term and other long-term employee benefits (Continued)

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

s) 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 each 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 account. 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 retained profits.

t) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's executive directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions 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 on-going 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.

a) Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern

As mentioned in note 2 to the consolidated financial statements, the directors are satisfied that the Group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the Group will be able to continue in operational existence in the foreseeable future, the consolidated financial statements have been prepared on a going concern basis. If the going concern basis is not appropriate, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. Such adjustments may have a significant consequential effect on the profit for the year and net assets of the Group.

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Income taxes

Significant management judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) Key sources of estimation uncertainty

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

Depreciation of property, plant and equipmenet

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimation. At 31 December 2015, the carrying amount of property, plant and equipment was RMB1,627,793,000 (2014: RMB1,435,169,000).

Depreciation of bearer plants

The Group's carrying amount of bearer plants as at 31 December 2015 was RMB319,139,000 (2014: 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 other factors. Management will increase the depreciation charge when the current estimated useful lives are less than previously estimated useful lives.

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 2015, the carrying amount of inventories was RMB1,004,769,000 (2014: RMB1,077,514,000), net of allowance for inventories of RMB21,796,000 (2014: RMB97,000).

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 2015 was RMB120,862,000 (2014: RMB132,222,000), net of allowance for doubtful debts of RMB5,107,000 (2014: RMB5,107,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. 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 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.

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank loans, bills payable, other borrowings and obligations under finance leases less pledged bank deposits and bank balances and cash as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio as at the end of the reporting period was as follows:

	2015 **RMB'000**	2014 RMB'000
Bank loans	**1,116,389**	1,320,287
Bills payable	**25,582**	100,000
Other borrowings	**451,295**	450,000
Obligations under finance leases	**210,631**	34,568
	1,803,897	1,904,855
Less: Bank balances and cash (note 25)	**(100,260)**	(173,690)
Pledged bank deposits (note 25)	**(24,001)**	(41,425)
Net debt	**1,679,636**	1,689,740
Total equity	**1,130,953**	989,778
Gearing ratio	**148.5%**	170.7%

7. FINANCIAL INSTRUMENTS

a) Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Financial assets		
Loan and receivables		
Trade receivables	**120,862**	132,222
Receivable from disposal of bearer plants	**20,793**	39,099
Financial assets included in other receivables	**19,080**	8,531
Amounts due from related companies	**164**	164
Pledged bank deposits	**24,001**	41,425
Bank balances and cash	**100,260**	173,690
	285,160	395,131
Financial liabilities at amortised cost		
Trade payables	**364,835**	224,566
Financial liabilities included in trade and other payables	**179,755**	115,089
Bills payables	**25,582**	100,000
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63
Bank and other borrowings	**1,567,684**	1,770,287
Obligations under finance leases	**210,631**	34,568
	2,348,550	2,244,573

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other 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 obligations under finance leases. 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.

Notes to the Consolidated Financial Statements

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7. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

A subsidiary of the Company have foreign currency sales and purchases transactions and bank borrowings, which expose the Group to foreign currency risk. Approximately 29% (2014: 20%) 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:

	2015 USD RMB'000	2014 USD RMB'000 (Restated)
Assets		
Trade and other receivables	**29,243**	57,142
Bank balance and cash	**4,752**	25,092
	33,995	82,234
Liabilities		
Trade and other payables	**(29,578)**	(12,978)
Bank and other borrowings	**(295,538)**	(371,334)
	(325,116)	(384,312)
Net exposure	**(291,121)**	(302,078)

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.

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 where RMB strengthen 5% against USD and vice versa.

	2015 RMB'000	2014 RMB'000
Profit for the year	**14,556**	15,104

7. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 27 for details) (2014: fixed-rate bank borrowings and fixed-rate obligations under finance leases). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings (see note 27 for details), variable-rate obligations under finance leases (see note 28 for details) and bank balances (see note 25 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 and variable-rate obligations under finance leases 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 2015 would decrease/increase by RMB4,341,000 (2014: post-tax profit would decrease/increase by RMB1,263,000). 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 and obligations under finance leases.

Credit risk

As at 31 December 2015, 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 is arising from the carrying amounts of the 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.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

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7. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group has concentration of credit risk on trade receivables with exposure limited to certain counterparties and customers. The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 58% (2014: 28%) of the total trade receivables as at 31 December 2015. 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. Adequate lines of credit are maintained to ensure necessary liquidity is available when required. With reference to the existing unutilized facilities and newly obtained facilities up to the date when the consolidated financial statements are authorised for issue and after taking into account of any possible re-financing arrangements, the directors of the Company consider the source of liquidity and capital for the daily operation are sufficient.

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 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.

2015

	Weighted average interest rate %	Within 1 year or on demand RMB'000	More than 1 year but not exceeding 2 years RMB'000	More than 2 years but not exceeding 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2015 RMB'000
Non-derivative financial liabilities						
Trade and other payables	N/A	544,590	–	–	544,590	544,590
Bills payables	N/A	25,582	–	–	25,582	25,582
Dividend payable to non-controlling shareholders of a subsidiary	N/A	63	–	–	63	63
Bank and other borrowings						
– fixed-rate	6.15	647,229	–	–	647,229	640,651
– variable-rate	5.07	788,938	168,008	905	957,851	927,033
Obligations under finance leases	4.99	55,161	55,549	134,643	245,353	210,631
		2,061,563	223,557	135,548	2,420,668	2,348,550

7. FINANCIAL INSTRUMENTS (Continued)

b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2014

	Weighted average interest rate %	Within 1 year or on demand RMB'000	More than 1 year but not exceeding 2 years RMB'000	More than 2 years but not exceeding 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2014 RMB'000
Non-derivative financial liabilities						
Trade and other payables	N/A	339,655	–	–	339,655	339,655
Bills payables	N/A	100,000	–	–	100,000	100,000
Dividend payable to non-controlling shareholders of a subsidiary	N/A	63	–	–	63	63
Bank and other borrowings						
– fixed-rate	6.59	988,292	537,367	–	1,525,659	1,433,244
– variable-rate	4.98	170,289	189,870	–	360,159	337,043
Obligations under finance leases	5.84	36,693	–	–	36,693	34,568
		1,634,992	727,237	–	2,362,229	2,244,573

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.

c) Fair value

The directors consider that the financial assets and financial liabilities in the consolidated financial statements are carried at amounts not materially different from their fair value as at 31 December 2015 and 2014, except for the below financial instruments. The fair values of the below financial instruments are estimated by discounting future cash flows using current market interest rates of 4.75% (2014: 6%) offered to the Group for debt with substantially the same characteristics and maturities, and are categorised as a Level 3 measurement. The following table presents the carrying amount and fair value of the Group's financial instruments at 31 December 2015 and 2014:

	2015		2014	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Bank and other borrowings	**161,036**	**162,607**	686,000	726,998

7. FINANCIAL INSTRUMENTS (Continued)

d) Offsetting financial assets and financial liabilities

The following financial assets and financial liabilities are subject to offsetting agreements:

As at 31 December 2015	Gross amounts of recognised financial assets/liabilities RMB'000	Gross amounts of recognised financial assets/ liabilities set off in the consolidated statement of financial position RMB'000	Net amounts of financial assets/ liabilities presented in the consolidated statement of financial position RMB'000
Obligations under finance leases	**(230,631)**	**20,000**	**(210,631)**
Related security deposit	**20,000**	**(20,000)**	**–**
Total	**(210,631)**	**–**	**(210,631)**

8. REVENUE

The following is analysis of the Group's revenue for the year ended 31 December 2015:

	2015 RMB'000	2014 RMB'000 (Restated)
Sale of fruit juice concentrate and related products	**1,095,610**	1,180,960
Sale of apples and other fruits	**48,380**	56,050
	1,143,990	1,237,010

9. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's operating and reportable segments are as follows:

Fruit juice operation – Manufacture and sale of fruit juice concentrate and related products

Agriculture operation – Plantation and sale of apples and other fruits

During the year ended 31 December 2014, the agriculture operation segment did not qualify as a reportable operating segment. However, with further expansion in 2015, agriculture operation segment qualifies as a reportable operating segment; the comparatives have been restated.

Inter-segment sales are transacted with reference to the selling prices used for sales made to third parties at the prevailing market price.

Segment information about these reportable and operating segment is presented below:

	Fruit juice operation		Agriculture operation		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
– external segment revenue	**1,095,610**	1,180,960	**48,380**	56,050	**1,143,990**	1,237,010
– inter-segment revenue	**3,491**	–	**2,540**	33,351	**6,031**	33,351
Reportable segment revenue	**1,099,101**	1,180,960	**50,920**	89,401	**1,150,021**	1,270,361
Less: inter-segment revenue					**(6,031)**	(33,351)
Consolidated revenue					**1,143,990**	1,237,010
Segment results	**120**	41,037	**13,666**	29,226	**13,786**	70,263
Other income					**143,981**	99,533
Unallocated other gains and losses					**216**	–
Unallocated corporate expenses					**(43,492)**	(37,667)
Finance costs					**(107,466)**	(107,498)
Profit before tax					**7,025**	24,631

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4 to these consolidated financial statements. Segment results represent the profit earned by each segment without allocation of certain items incurred for central management purpose, including finance costs, other income, certain other gains and losses and corporate expenses. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Information of assets and liabilities for reportable and operating segments are not provided to CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable and operating segments are presented.

9. SEGMENT INFORMATION (Continued)

Other segment information

	Fruit juice operation		Agriculture operation		Total	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Depreciation of property, plant and equipment	**97,643**	102,683	**432**	1,386	**98,075**	104,069
Depreciation of bearer plants	**–**	–	**416**	486	**416**	486
Loss on disposal of property, plant and equipment	**879**	444	**88**	167	**967**	611
Release of prepaid lease payments	**2,399**	2,532	**62**	26	**2,461**	2,558
Gain from changes in fair value less costs to sell of biological assets	**–**	–	**(173)**	–	**(173)**	–
Gain on disposal of a subsidiary	**–**	(10,817)	**–**	–	**–**	(10,817)
Gain on disposal of bearer plants	**–**	–	**(54,536)**	(44,455)	**(54,536)**	(44,455)
Write-down of inventories	**21,699**	–	**–**	–	**21,699**	–
Write off of property, plant and equipment	**10,385**	–	**–**	–	**10,385**	–

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	
	2015	2014	**2015**	2014
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
North America	**619,531**	596,063	**56**	32
Asia (Other than Mainland China)	**161,766**	217,719	**–**	–
Mainland China	**188,322**	197,877	**2,131,285**	1,676,148
South Africa	**128,356**	167,912	**–**	–
Australia	**21,031**	25,627	**–**	–
Russia	**16,827**	28,183	**–**	–
Europe	**8,157**	3,629	**–**	–
	1,143,990	1,237,010	**2,131,341**	1,676,180

9. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing 10% or more than 10% of the total revenue of the Group are as follows:

	2015 RMB'000	2014 RMB'000 (Restated)
Customer A[2]	N/A[1]	125,036
Customer B[2]	N/A[1]	124,290

[1] The corresponding revenue did not contribute 10% or more than 10% of the total revenue of the Group.

[2] Revenue from fruit juice operation.

Information about major products

	2015 RMB'000	2014 RMB'000 (Restated)
Apple juice	874,987	970,884
Other juice	198,120	196,621
Fresh fruits	48,380	56,050
Others	22,503	13,455
	1,143,990	1,237,010

10. OTHER INCOME

	2015 RMB'000	2014 RMB'000
Bank interest income	2,044	864
Total interest income on financial assets not at fair value through profit or loss	2,044	864
PRC government grants (note)	138,813	89,189
Amortisation of deferred government grants (note 29)	364	–
Others	2,760	9,480
	143,981	99,533

Note: The PRC government grants recognised by the Group in both years represent financial subsidies for giving immediate financial support to the Group, encouraging the Group's export sales, the fruit juice concentrate business and the agriculture business in the PRC. There are no unfulfilled conditions or contingencies in relation to the grants. The grants were determined at the sole discretion of the relevant PRC government authorities.

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11. OTHER GAINS AND LOSSES

	2015	2014
	RMB'000	RMB'000
		(Restated)
Gain on disposal of bearer plants	**54,536**	44,455
Net foreign exchange loss	**(10,643)**	(267)
Loss on disposal of property, plant and equipment	**(967)**	(611)
Other gain/(losses)	**207**	(3)
	43,133	43,574

12. FINANCE COSTS

	2015	2014
	RMB'000	RMB'000
Interest on:		
– bank and other borrowings	**100,895**	103,943
– finance leases	**6,571**	3,555
	107,466	107,498

13. PROFIT BEFORE TAX

	2015 RMB'000	2014 RMB'000 (Restated)
Profit before tax has been arrived at after charging:		
Directors' emoluments (note 15)	**3,560**	3,642
Salaries, wages and other benefits	**107,394**	87,505
Retirement benefits scheme contributions	**15,292**	12,625
Share-based payment expenses	**3,349**	1,340
Total staff costs	**129,595**	105,112
Less: staff costs capitalised into inventories	**(60,328)**	(50,566)
Less: staff cost capitalised into cost of bearer plant	**(15,558)**	(13,387)
	53,709	41,159
Auditor's remuneration	**2,600**	1,200
Prepaid lease payments	**18,114**	9,564
Less: prepaid lease payments capitalised into cost of bearer plants	**(15,653)**	(7,006)
Release of prepaid lease payments	**2,461**	2,558
Depreciation of property, plant and equipment		
– owned assets	**76,994**	81,507
– assets under finance lease	**25,365**	22,562
	102,359	104,069
Less: depreciation capitalised into cost of bearer plants	**(4,284)**	–
	98,075	104,069
Minimum lease payments under operating leases – premises	**2,057**	1,354
Depreciation of bearer plants	**416**	486
Cost of inventories recognised as an expense	**949,858**	1,031,116
Write off of property, plant and equipment	**10,385**	–

Notes to the Consolidated Financial Statements

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14. INCOME TAX EXPENSE

	2015 RMB'000	2014 RMB'000
Current tax:		
PRC Enterprise Income tax ("EIT")	**392**	1,172
Other jurisdiction	**8**	334
	400	1,506
Deferred tax (note 30)	**917**	(78)
	1,317	1,428

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.

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 2014 and 2015. The PRC subsidiary will need to apply for the preferential tax rate every year.

According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in fruit juice operation of the Group in the PRC are exempted from EIT on profits derived from preliminary processing of agriculture products for the years ended 31 December 2014 and 2015, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations.

According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in agriculture operation of the Group in the PRC are exempted from EIT on profits derived from fruits cultivation for the years ended 31 December 2014 and 2015, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations.

A subsidiary of the Company, Haisheng International Inc., is a limited liability 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 before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 RMB'000	2014 RMB'000
Profit before tax	**7,025**	24,631
Tax at the domestic income tax rate of 25%	**1,756**	6,158
Tax effect of expenses not deductible for tax purpose	**13,601**	673
Tax effect of income not taxable for tax purpose	**(6,948)**	(22,297)
Tax effect of tax losses not recognised	**18,578**	34,883
Utilisation of tax losses previously not recognised	**(5,831)**	(6,588)
Effect of tax exemption and tax concession	**(19,927)**	(11,680)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**88**	279
Tax charge for the year	**1,317**	1,428

15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the Chief Executive's emoluments are as follows:

	2015						2014					
	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	Share-based payment RMB'000	Total RMB'000
Independent non-executive directors												
Mr. Zhao Boxiang	60	-	-	-	-	60	60	–	–	–	–	60
Mr. Li Yuanrui	60	-	-	-	-	60	60	–	–	–	–	60
Mr. Chan Bing Chung	60	-	-	-	-	60	60	–	–	–	–	60
Executive directors												
Mr. Gao Liang	-	889	220	58	298	1,465	–	884	220	50	634	1,788
Mr. Zhang Xiang	-	446	110	58	111	725	–	434	103	50	51	638
Mr. Ding Li	-	342	84	58	111	595	–	336	81	50	51	518
Mr. Zhao Chongjun	-	342	84	58	111	595	–	336	81	50	51	518
	180	2,019	498	232	631	3,560	180	1,990	485	200	787	3,642

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.

During the prior and current years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the consolidated financial statements. The fair value of such options, which had been recognised in the consolidated statement of profit or loss and other comprehensive income was determined as at the date of grant and the amount included in the consolidated financial statements for the current year was included in the above directors' and chief executive's emoluments disclosures.

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15. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

b) Five highest paid individuals

The five highest paid individuals included four (2014: four) directors of the Company whose emoluments are set out in note 5(a). The emoluments of the remaining one (2014: one) highest paid individual who is neither a director nor chief executive, which fall within the band of nil to HK$1,000,000 (equivalent to approximately RMB805,000) (2014: nil to HK$1,000,000 (equivalent to approximately RMB814,000)) for the years ended 31 December 2015 and 2014, are as follows:

	2015 **RMB'000**	2014 RMB'000
Salaries and allowances	**456**	437
Retirement benefits scheme contributions	**56**	50
Share-based payment expenses	**111**	51
	623	538

During the years ended 31 December 2015 and 2014, 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 2015 and 2014.

16. DIVIDENDS

The Directors do not recommend the payment of any final dividend in respect of the years ended 31 December 2015 and 2014.

17. (LOSS)/EARNINGS PER SHARE

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

	2015 **RMB'000**	2014 RMB'000
(Loss)/profit for the purposes of basic and diluted (loss)/earnings per share		
(Loss)/profit for the year attributable to owners of the Company	**(1,411)**	23,045

	Number of shares **2015**	 2014
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**1,261,351,540**	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 (loss)/earnings per share	**1,261,351,540**	1,262,060,843

17. (LOSS)/EARNINGS PER SHARE (Continued)

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2015 in respect of a dilution as the impact of share options granted on 18 July 2014 outstanding had an anti-dilutive effect on the basic loss per share amount presented, or the exercise price of share option granted on 23 July 2015 was higher than the average market price of the ordinary shares of the Company during the year and share option granted on 23 July 2015 had no dilutive effect on the basic loss per share amount presented.

The Group had no other potentially dilutive ordinary shares in issue during the year ended 31 December 2015.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Cultivation equipment and facilities RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2014	768,241	1,088,910	16,212	8,841	29,613	6,213	1,918,030
Additions	4,531	3,305	12,865	4,319	3,386	178,379	206,785
Transfer	88,121	52,786	7,487	–	3,184	(151,578)	–
Disposals	(139)	(7,658)	(112)	(206)	(47)	–	(8,162)
Exchange realignment	–	–	–	–	–	–	–
At 31 December 2014 and 1 January 2015	860,754	1,137,343	36,452	12,954	36,136	33,014	2,116,653
Additions	3,497	8,931	71,098	6,028	763	217,179	307,497
Transfer	9,620	39,941	24,630	–	121	(74,311)	–
Disposals	(59)	(45,358)	(346)	(3,433)	(2,527)	–	(51,724)
Write-off (Note a)	–	(18,566)	–	–	–	–	(18,566)
Exchange realignment	–	–	–	–	29	–	29
At 31 December 2015	873,812	1,122,290	131,834	15,549	34,522	175,882	2,353,889
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES							
At 1 January 2014	109,857	458,648	232	2,529	9,045	–	580,311
Charge for the year	19,359	79,923	1,009	1,545	2,233	–	104,069
Eliminated upon disposals	(10)	(2,841)	(6)	(28)	(11)	–	(2,896)
Exchange realignment	–	–	–	–	–	–	–
At 31 December 2014 and 1 January 2015	129,206	535,730	1,235	4,046	11,267	–	681,484
Charge for the year	25,800	66,868	3,676	2,045	3,970	–	102,359
Eliminated upon disposals	(1)	(44,292)	(23)	(3,154)	(2,124)	–	(49,593)
Write-off (Note a)	–	(8,181)	–	–	–	–	(8,181)
Exchange realignment	–	–	–	–	27	–	27
At 31 December 2015	155,005	550,125	4,888	2,937	13,140	–	726,096
CARRYING AMOUNT							
At 31 December 2015	718,807	572,166	126,946	12,612	21,382	175,882	1,627,793
At 31 December 2014	731,548	601,613	35,217	8,908	24,869	33,014	1,435,169

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Note:

a) As part of the Group's business strategies, after the completion of pectin production lines, the Dangshan factory is more focused on production of new products. The directors considered that certain machinery previously used in production of apple juice concentrate become obsolete. Therefore, these machinery with carrying amount of RMB10,385,000 were written off in 2015.

b) As at 31 December 2015 and up to the date of approval of these consolidated financial statements, the Group is in the process of applying for property title certificates in respect of the buildings located in Xian, the PRC, in which the Group has interests and for which such certificates have not been granted. As at 31 December 2015, carrying value of such buildings of the Group amounted to RMB128,967,000 (2014: RMB131,141,000). The directors of the Company are of the opinion that the use of and the conduct of operating activities at the buildings referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

c) 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%
Cultivation equipment and facilities	3.2%-20%
Motor vehicles	10%-20%
Office equipment	10%-20%

d) As at 31 December 2015, certain buildings of RMB350,607,000 (2014: RMB393,950,000) were pledged as securities for bank borrowings as detailed in note 27 and certain machinery of RMB208,786,000 (2014: RMB224,580,000) together with certain buildings of RMB110,885,000 (2014: Nil) as mentioned above were held under finance leases respectively.

19. PREPAID LEASE PAYMENTS

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

	2015 **RMB'000**	2014 RMB'000
Current assets	**2,526**	2,523
Non-current assets	**109,798**	92,807
	112,324	95,330
Analysed as:		
Prepaid lease payments for		
– bearer plants	**20,616**	–
– manufacturing plants and offices	**91,708**	95,330
	112,324	95,330

The prepaid lease payments are amortised over 3 to 70 years on a straight-line basis.

As at 31 December 2015, certain prepaid lease payments of RMB27,693,000 (2014: RMB27,144,000) were pledged as securities for bank borrowings as detailed in note 27.

20. BEARER PLANTS

	Apple RMB'000	Rootstock RMB'000	Mulberry RMB'000	Blueberry RMB'000	Cherry RMB'000	Others RMB'000	Total 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 mature trees	–	–	(524)	–	–	–	(524)
Disposals	(6,089)	–	–	–	–	(341)	(6,430)
At 31 December 2014 and 1 January 2015	91,971	4,597	–	–	–	7,643	104,211
Additions	230,646	7,280	–	2,397	209	5,215	245,747
Transfer to mature trees	(5,782)	(2,659)	–	–	–	–	(8,441)
Disposals	(31,011)	–	–	–	–	(2,778)	(33,789)
At 31 December 2015	285,824	9,218	–	2,397	209	10,080	307,728
CARRYING AMOUNT							
At 31 December 2015	285,824	9,218	–	2,397	209	10,080	307,728
At 31 December 2014	91,971	4,597	–	–	–	7,643	104,211
Mature 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 and 1 January 2015	–	–	524	151	3,184	–	3,859
Additions	–	–	4	–	9	–	13
Transfer from infant trees	5,782	2,659	–	–	–	–	8,441
At 31 December 2015	5,782	2,659	528	151	3,193	–	12,313
ACCUMULATED DEPRECIATION							
At 1 January 2014	–	–	–	–	–	–	–
Charge for the year	–	–	21	21	444	–	486
At 31 December 2014 and 1 January 2015	–	–	21	21	444	–	486
Charge for the year	96	132	8	8	172	–	416
At 31 December 2015	96	132	29	29	616	–	902
CARRYING AMOUNT							
At 31 December 2015	5,686	2,527	499	122	2,577	–	11,411
At 31 December 2014	–	–	503	130	2,740	–	3,373
TOTAL CARRYING AMOUNT							
At 31 December 2015	291,510	11,745	499	2,519	2,786	10,080	319,139
At 31 December 2014	91,971	4,597	503	130	2,740	7,643	107,584

20. BEARER PLANTS (Continued)

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

The fair value of the bearer plants 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 mature trees and depreciation commences. Mature trees are depreciated using straight-line method over their expected useful lives.

The above mature trees are depreciated on a straight-line basis over their estimated useful lives as follows:

Apple	25 years
Rootstock	10 years
Mulberry	20 years
Blueberry and Cherry	17 years
Others	20 years

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

	2015 **Number**	2014 Number
Infant trees	**6,050,322**	1,939,395
Mature trees	**165,119**	36,780

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 health inspections and industry pest and disease surveys.

21. BIOLOGICAL ASSETS

Movement in biological assets are summarised as follows:

	Apple RMB'000	**Baby carrot** RMB'000	**Strawberry** RMB'000	**Total** RMB'000
At 1 January 2015	–	–	–	–
Increase due to cultivation	3,664	5,161	9,088	17,913
Gain/(loss) from changes in fair value less costs to sell (note (a))	4,295	(67)	(4,055)	173
Harvested fruits transferred to inventories	(5,610)	(3,445)	(2,489)	(11,544)
At 31 December 2015 (note (b))	2,349	1,649	2,544	6,542

Note:

(a) During the year, the Group harvested 3,752 tonnes of fruits. The directors measured the fair value less costs to sell of fruits at harvest based on market prices as at or close to the harvest dates.

(b) Cultivation costs incurred as addition to the biological assets. All fruits are harvested annually from April to November. After the harvest, plantation works commenced again on the farmland. The directors considered that there was no active market for the fruits before harvest at the end of the reporting period. The present value of expected cash flows was not considered a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the directors considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 31 December 2015.

The carrying value of biological assets as at 31 December 2015 represented cultivation costs incurred including fertilisers, pesticides, labour costs and rentals of farmland.

22. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials and consumables	**61,056**	52,907
Work in progress	**187,739**	178,253
Finished goods	**755,974**	846,354
	1,004,769	1,077,514

As at 31 December 2015, certain inventories of RMB364,142,000 (2014: RMB: 385,591,000) were pledged as securities for bank borrowings as detailed in note 27.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2015 **RMB'000**	2014 RMB'000
Carrying amount of inventories sold	**928,159**	1,031,116
Write-down of inventories	**21,699**	–
	949,858	1,031,116

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23. TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000 (Restated)
Trade receivables	**125,969**	137,329
Less: allowance for doubtful debts	**(5,107)**	(5,107)
	120,862	132,222
Value added tax recoverable and other tax recoverable	**68,468**	70,323
Government grant receivable#	**8,000**	–
Receivable from disposal of bearer plants	**20,793**	39,099
Advances to suppliers	**10,206**	31,938
Other receivables, deposits and prepayments	**47,680**	39,323
	276,009	312,905

As at 31 December 2015, certain value added tax recoverable of RMB33,387,000 (2014: RMB43,073,000) were pledged as securities for obligations under finance leases as detailed in note 28.

Pursuant to a notice issued by the local government of Qianyang County, Shaanxi Province, the PRC, the Group was entitled to a government grant of RMB17,016,000 for the year ended 31 December 2015 of which RMB9,016,000 was received in 2015. The remaining balance of RMB8,00,0000 was received by the Group on 14 January 2016.

a) Aging analysis

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:

	2015 RMB'000	2014 RMB'000 (Restated)
Aged:		
0-90 days	**107,332**	131,559
91-180 days	**9,589**	663
181-365 days	**653**	–
Over 1 year	**3,288**	–
	120,862	132,222

b) Impairment of trade receivables
Movement in the allowance for doubtful debts

	2015 RMB'000	2014 RMB'000
At 1 January and 31 December	**5,107**	5,107

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB5,107,000 (2014: RMB5,107,000) which have been in severe financial difficulties. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES (Continued)

c) Trade receivables that are not impaired

The aging analysis of the trade receivables that are neither individually nor collectively considered to be impaired, based on due date, are as follows:

	2015 **RMB'000**	2014 RMB'000 (Restated)
Neither past due nor impaired	**105,394**	131,559
Less than 90 days past due	**11,045**	–
91 to 180 days past due	**3,516**	663
181 days to 365 days past due	**244**	–
Over 1 year past due	**663**	–
	15,468	663
	120,862	132,222

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB15,468,000 (2014: RMB663,000) 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 directors of the Company considered that the trade receivables which are past due but not impaired are of mostly the renowned international beverage manufacturers and based on the past experience, the collectability is expected.

24. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, repayable on demand and non-interest bearing. The related companies are beneficially owned and controlled by a director of the Company who is also a shareholder of the Company, as details in note 37.

25. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2015, the Group's pledged bank deposits of RMB24,001,000 (2014: RMB41,425,000) and bank balances and cash of RMB86,665,000 (2014: RMB155,792,000) were held in the PRC. The conversion of RMB denominated balance into foreign currencies and the remittance of such foreign-currency denominated bank balances and cash out of the PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

At 31 December 2015, the pledged bank deposits of RMB24,001,000 (2014: RMB41,425,000) carried prevailing interest rate of 0.3% (2014: an average fixed interest rate of 3%) per annum and bank balances of RMB99,942,000 (2014: RMB173,325,000) carried prevailing interest rate of 0.3% (2014: 0.35%) per annum.

The pledged bank deposits of RMB24,001,000 (2014: RMB41,425,000) 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.

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26. TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**364,835**	224,566
Payable for acquisition of property, plant and equipment	**99,183**	44,665
Advances from customers	**3,795**	22,823
Accrued salaries	**11,275**	8,547
Accrued interest	**30,061**	30,373
Value added tax and other tax payable	**5,234**	12,294
Other liabilities	**5,734**	–
Others payable and accruals	**39,236**	31,504
	559,353	374,772
Less: other liabilities – non-current portion	**(5,734)**	–
	553,619	374,772

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2015 RMB'000	2014 RMB'000
Aged:		
0-90 days	**330,329**	189,039
91-180 days	**16,988**	29,386
181-365 days	**11,456**	4,301
Over 1 year	**6,062**	1,840
	364,835	224,566

27. BANK AND OTHER BORROWINGS

	2015 RMB'000	2014 RMB'000
Bank loans	1,116,389	1,320,287
Other borrowings (note (a))	450,000	450,000
Loan from government (note (b))	1,295	–
	451,295	450,000
	1,567,684	1,770,287
Analysed as:		
Secured	564,171	1,154,744
Unsecured	500,646	501,853
Guaranteed	502,867	113,690
	1,567,684	1,770,287
Analysed as:		
Fixed-rate borrowings	640,651	1,433,244
Variable-rate borrowings	927,033	337,043
	1,567,684	1,770,287

	2015 RMB'000	2014 RMB'000
Carrying amount repayable:		
On demand and within one year	1,406,648	1,084,287
More than one year but not exceeding two years	160,259	686,000
More than two years but not exceeding five years	777	–
	161,036	686,000
	1,567,684	1,770,287

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

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	2.95% to 6.86%	2.26% to 7.80%
Variable-rate borrowings	2.20% to 7.20%	2.16% to 7.05%

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

Notes:

a) 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 was RMB450,000,000. The Corporate Bond was unsecured and the coupon rate of the Corporate Bond was fixed at 6.5% per annum and the coupon interest was paid annually. The Corporate Bond was fully repaid upon maturity in February 2016.

b) The loan from government was unsecured and the interest rate was based on PBCBLR plus 0.3% per annum and the interest was paid annually. The Group paid principal of RMB259,000 annually from the fifth year from the date of drawn down the loan.

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27. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2015, the bank loans were secured by:

i) a pledge of the Group's property, plant and equipment with a carrying amount of RMB350,607,000 (2014: RMB393,950,000);

ii) a pledge of the Group's prepaid lease payments with a carrying amount of RMB27,693,000 (2014: RMB27,144,000);

iii) a pledge of the Group's inventories with a carrying amount of RMB364,142,000 (2014: RMB385,591,000);

iv) a pledge of the Group's bank deposits of RMB24,001,000 (2014: RMB41,425,000);

v) a personal guarantee by Mr. Gao Liang, a director and major shareholder of the Company; and

vi) guarantees from the subsidiaries of the Group and the Company.

28. OBLIGATIONS UNDER FINANCE LEASES

	2015 RMB'000	2014 RMB'000
Minimum lease payments	**265,353**	36,693
Interest charges relating to future periods	**(34,722)**	(2,125)
Present value of minimum lease payments	**230,631**	34,568
Security deposits	**(20,000)**	–
Amounts due within one year included under current liabilities	**(43,935)**	(34,568)
	166,696	–

The finance leases are repayable as follows:

	Minimum lease payments		**Present value of minimum lease payments**	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Within one year	**55,161**	36,693	**43,935**	34,568
More than one year but not exceeding two years	**55,549**	–	**46,260**	–
More than two years but not exceeding five years	**154,643**	–	**140,436**	–
	265,353	36,693	**230,631**	34,568
Less: Future finance charges	**(34,722)**	(2,125)	**–**	–
Present value of lease obligation	**230,631**	34,568	**230,631**	34,568

Year ended 31 December 2014

In August 2012, the Group entered into a finance lease agreement pursuant to which the Group sold its machineries amounting to RMB246,260,000 to an independent third party and leased back the machineries with a lease period of 3 years. 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% per annum. The finance leases were fully repaid in 2015. The Group's obligations under finance lease was secured by the lessor's charge over the leased assets.

28. OBLIGATIONS UNDER FINANCE LEASES (Continued)

Year ended 31 December 2015

On 20 August 2015, a subsidiary of the Group entered into a finance lease agreement with an independent third party financing company under which the Group sold certain buildings and machinery with a carrying amount of RMB328,882,000 and leased back the buildings and machinery with a lease period of 5 years and the lease rentals are payable by installments with interest charged at prevailing lending rates. Upon the expiry of the lease period, the Group has a repurchase option to repurchase the leased assets at a nominal amount. As the repurchase price is set at RMB100 which is minimal compared to the expected fair value and the Group is certain that it will exercise the repurchase option, the above financing agreement has been accounted for as collateralized borrowings of the Group.

The Group's obligations under finance leases are secured by certain of the Group's buildings of RMB110,885,000 (2014: Nil), machinery of RMB208,786,000 (2014: RMB224,580,000), value added tax recoverable of RMB33,387,000 (2014: RMB43,073,000) and guaranteed by the Company and Mr. Gao Liang, a director and major shareholder of the Company.

29. DEFERRED GOVERNMENT GRANTS

The deferred government grants represented the subsidies granted by the PRC government to the Group.

	RMB'000
At 1 January 2014, 31 December 2014 and 1 January 2015	–
Received during the year	35,735
Recognised in the profit or loss during the year	(364)
At 31 December 2015	35,371
Analysed for reporting purposes as:	
Current liabilities	855
Non-current liabilities	34,516
	35,371

The government grants of RMB20,000,000 and RMB1,397,000 represent the grants from government for the construction of an environmental friendly greenhouse project and cultivation facilities respectively. As at 31 December 2015, the construction of the project and cultivation facilities were in progress. The remaining government grants of RMB14,338,000 represent the grants from government for the construction of cultivation facilities, there is no unfulfilled condition relating to those grants. In addition, such grants are deferred and released to profit or loss in accordance with the useful lives of the related assets.

30. DEFERRED TAX

a) Deferred tax liabilities recognised

	Fair value adjustment at acquisition RMB'000	Temporary differences arising from withholding tax RMB'000	Total RMB'000
At 1 January 2014	2,329	10,355	12,684
(Credit)/charge for the year	(1,099)	1,021	(78)
At 31 December 2014 and 1 January 2015	1,230	11,376	12,606
(Credit)/charge for the year	(1,230)	2,147	917
At 31 December 2015	–	13,523	13,523

Under the EIT law of the PRC, a 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of RMB13,523,000 (2014: RMB11,376,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

b) Deferred tax assets not recognised

At 31 December 2015, the Group has estimated unutilised tax losses of RMB556,502,000 (2014: RMB608,418,000) available to set off against future assessable profits. 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 2020 (2014: various dates up to 2019).

As at 31 December 2015, the Group has deductible temporary difference arising from direct write-off of inventories of RMB356,000 (2014: RMB356,000). No deferred tax asset had been recognised in relation to such deductible temporary difference.

c) Deferred tax liabilities not recognised

At 31 December 2015 and 2014, the Group had no other material unprovided deferred tax liabilities.

31. SHARE CAPITAL

The Company	**Number of shares**	**Amounts** HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 2015	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2014, 31 December 2014 and 1 January 2015	1,260,000,000	12,600,000
Shares issued under share option scheme	2,648,000	26,480
At 31 December 2015	1,262,648,000	12,626,480

	2015 **RMB'000**	2014 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,061**	13,039

a) The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

b) During the year ended December 2015, options were exercised to subscribe for 2,648,000 ordinary shares in the Company at a consideration of HK$874,000 (equivalent to RMB703,000) of which HK$26,000 (equivalent to RMB22,000) was credited to share capital and the balance of HK$848,000 (equivalents to RMB681,000) was credited to the share premium account. RMB206,000 has been transferred from the share options reserve to the share premium account in accordance with policy set out in note 4(s).

32. 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.

32. 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 2015:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2015	Grant during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
18.7.2014	18.7.2014 to 17.1.2015	0.33	18.1.2015 to 17.7.2017	20,130,000	–	(2,120,000)	(252,000)	17,758,000
18.7.2014	18.7.2014 to 17.7.2015	0.33	18.7.2015 to 17.7.2017	20,130,000	–	(528,000)	(252,000)	19,350,000
23.7.2015	23.7.2015 to 22.1.2016	0.455	23.1.2016 to 22.7.2018	–	19,656,000	–	–	19,656,000
23.7.2015	23.7.2015 to 22.7.2016	0.455	23.7.2016 to 22.7.2018	–	19,656,000	–	–	19,656,000
				40,260,000	39,312,000	(2,648,000)	(504,000)	76,420,000
Weighted average exercise price				0.330	0.455	0.330	0.330	0.3943
Exercisable as at 31 December 2015								37,108,000
Weighted average exercise price								0.330

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
Weighted average exercise price				0.990	0.330	0.990	0.330
Exercisable as at 31 December 2014							–

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32. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The estimated fair value of the share options granted on 23 July 2015, 18 July 2014 and 4 July 2011 were HK$0.15 (equivalent to RMB0.118), HK$0.1 (equivalent to RMB0.077) and HK$0.34 (equivalent to RMB0.283), respectively.

The fair value of the share options granted during the year ended 31 December 2015 was approximately of RMB4,639,000 (2014: RMB3,100,000) and the Group recognised total expenses of approximately RMB3,980,000 (2014: RMB2,127,000) as a share option expense during the year ended 31 December 2015.

The fair value of equity-settled share options granted during the years ended 31 December 2015 and 2014 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted.

The weighted average share price at the date of exercise for shares options exercised during the year was RMB0.527 (2014: not applicable).

The options outstanding at 31 December 2015 had exercise prices of RMB0.330 and 0.455 (2014: RMB0.330) and a weighted average remaining contractual life of 1.55 and 2.56 years respectively (2014: 2.55 years).

The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	**0**	0
Expected volatility (%)	**54.77**	47.07
Risk-free interest rate (%)	**0.72**	0.82
Expected life of options (year)	**3**	3
Price of the Company's shares at the date of grant (HK$ per share)	**0.44**	0.33

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 76,420,000 (2014: 40,260,000) share options outstanding under the Scheme.

At the date of approval of these financial statements, the Company had 76,420,000 (2014: 40,008,000) share options outstanding under the Scheme, which represented approximately 6.05% (2014: 3.17%) of the Company's shares in issue as at that date.

33. RESERVES

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the consolidated financial statements.

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 registered capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into registered 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.

During the year ended 31 December 2015, pursuant to a capital increase agreement, two independent third parties had made capital contribution to a subsidiary of the Group resulting in a dilution of shareholding in this subsidiary. The difference of RMB9,113,000 between the capital contribution of RMB130,000,000 and the amount of non-controlling interests adjusted of RMB139,113,000 was directly recognised in other reserve.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4.

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34. OPERATING LEASE COMMITMENTS

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:

	2015 RMB'000	2014 RMB'000
Not later than one year	**27,632**	7,835
Later than one year and not later than five years	**105,831**	31,297
Later than five years	**709,720**	199,601
	843,183	238,733

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 rentals are adjusted ranged from every year to every five years.

35. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2015 RMB'000	2014 RMB'000 (Restated)
Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**99,564**	148,649
– acquisition of bearer plants	**14,784**	37,972
– development of cultivation sites	**241,356**	213,462
	355,704	400,083

36. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets as securities for the Group's bank borrowings and obligations under finance leases:

	2015 RMB'000	2014 RMB'000 (Restated)
Property, plant and equipment	**559,393**	618,530
Prepaid lease payments	**27,693**	27,144
Pledged bank deposits	**24,001**	41,425
Inventories	**364,142**	385,591
Value added tax recoverable	**33,387**	43,073
	1,008,616	1,115,763

37. MATERIAL RELATED PARTY TRANSACTIONS

During the year, the Group has the following transactions with its related parties:

a) Balances with related parties

	2015 RMB'000	2014 RMB'000
Amounts due from related companies	**164**	164
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63

As at 31 December 2015, the amount of RMB11,000 (2014: RMB11,000) and RMB153,000 (2014: RMB153,000) was due by 西安海升實業集團有限責任公司 ("海升實業") and 陝西海升現代流通有限公司 ("海升現代流通") respectively. The maximum outstanding debit balances during the year ended 31 December 2015 were RMB11,000 and RMB153,000 (2014: RMB11,000 and RMB153,000) respectively. Mr. Gao Liang, a director of the Company, is a controlling shareholder in 海升實業 and has beneficial interest in 海升現代流通. The amounts are unsecured, non-interest bearing and repayable on demand.

b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the highest paid individual as disclosed in note 15 for the year ended 31 December 2015 (2014: key management personnel of the Group includes only the amounts paid to the Company's directors), is as follows:

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	**3,609**	2,655
Equity-settled share option expenses	**856**	787
Post-employment benefits	**296**	200
	4,761	3,642

c) Guarantee in respect of banking and finance lease facilities

During the year ended 31 December 2015, Mr. Gao Liang, a director of the Company, provided personal guarantees for banking and finance lease facilities of RMB220,000,000 (2014: Nil) and RMB230,631,000 (2014: Nil) granted to the Group respectively.

d) Other transactions

As at 31 December 2015, share options of 1,252,000 (2014: 552,000) was granted to the spouse of Mr. Gao Liang, a director of the Company, in respect of her service to the Group. The Group recognised an expense of RMB67,000 (2014: RMB29,000) for the year ended 31 December 2015, in relation to share options granted to her. In addition, the Group incurred an expense of RMB407,000 (2014: RMB385,000) as her salaries.

38. 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 RMB15,292,000 (2014: RMB12,625,000).

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39. CONTINGENT LIABILITIES

During the year ended 31 December 2014, the Group was sued by its competitor (the "case") in the USA in respect of obtaining access of trade secrets of a sweet potato juice concentrate through the competitor's former employee. The directors of the Company, to the best of their knowledge, believed that the claims lacked merit and would vigorously defend such actions. As the amount of damages to be claimed by the counterparty was uncertain, no contingent liability has been accrued as at 31 December 2014. On 26 May 2015, the USA court dismissed the case without prejudice and the case was closed.

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2015 RMB'000	2014 RMB'000
Non-current assets		
Investments in subsidiaries	**629,164**	629,164
Current assets		
Amounts due from subsidiaries	**18,307**	21,011
Bank balances	**6,444**	3,920
Dividend receivable	**7,524**	7,085
	32,275	32,016
Current liabilities		
Other payables	**4,091**	1,068
Net current assets	**28,184**	30,948
NET ASSETS	**657,348**	660,112
CAPITAL AND RESERVES		
Share capital (note 31)	**13,061**	13,039
Reserves	**644,287**	647,073
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**657,348**	660,112

Approved and authorised for issue by the board of directors on 29 July 2016 and are signed on its behalf by:

Gao Liang
DIRECTOR

Zhao Chongjun
DIRECTOR

40. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

a) A summary of the Company's reserves is as follows:

	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000 (Note 32)	Retained profits RMB'000	Total RMB'000
At 1 January 2014	202,327	431,247	10,264	5,873	649,711
Loss and total comprehensive 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 and 1 january 2015	202,327	431,247	2,127	11,372	647,073
Loss and total comprehensive loss for the year	–	–	–	(7,447)	(7,447)
Shares issued under share option scheme	887	–	(206)	–	681
Recognition of equity-settled share-based payments	–	–	3,980	–	3,980
Lapse of share options	–	–	(39)	39	–
At 31 December 2015	203,214	431,247	5,862	3,964	644,287

b) Nature and purpose of reserves

i) Share premium

The share premium is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

ii) Contributed surplus

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.

iii) Share option reserve

The share option reserve relates to share options granted to directors and employees under the Company's share option scheme. Further information about share options is set out in note 32.

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41. PRINCIPAL SUBSIDIARIES

a) The particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activities
Wisdom Expect Investments Limited	The British Virgin Islands	The PRC	Ordinary shares US$200	**100%**	100%	**–**	–	Investment holding
Fruit juice operation								
陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fruit Juice Co., Ltd.(1) ("Shaanxi Haisheng")	The PRC	The PRC	RMB185,780,000	**16.6%**	16.6%	**83.0%**	83.0%	Manufacture and sale of fruit juice concentrate
大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd.(2)	The PRC	The PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
青島海升果業有限公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd.(2)	The PRC	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	The PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
栖霞海升果業有限公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd(2)	The PRC	The PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	United States	United States	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
伊天果汁(陝西)有限公司 translated as Yitian Juice (Shaanxi) Co., Ltd.(2)	The PRC	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 Xinjang Haisheng Fresh Fruit Juice Co., Ltd(2)	The PRC	The PRC	RMB50,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate

41. PRINCIPAL SUBSIDIARIES (Continued)

a) The particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activities
Agriculture operation								
陝西現代果業集團有限公司 translated as Shaanxi Modern Fruit Group Co., Ltd.[(2)] ("Modern Fruit")	The PRC	The PRC	RMB383,000,000	**–**	–	**66.1%**	99.6%	Investment holding and sale of apples and other fruits
寶雞海升現代農業有限公司 translated as Baoji Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB100,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
銅川海升現代農業有限公司 translated as Tongchuan Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples and other fruits
彬縣海升現代農業有限公司 translated as Bin County Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
咸陽海升現代農業有限公司 translated as Xianyang Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB1,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples and other fruits
大連海升現代農業有限公司 translated as Dalian Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB1,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
運城市海升現代農業有限公司 translated as Yuncheng Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB1,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples and other fruits
靈台海升現代農業有限公司 translated as Lingtai Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
淳化海升現代農業有限公司 translated as Chunhua Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
延安海升現代農業有限公司 translated as Yan'an Haisheng Modern Agriculture Co., Ltd.[(2)]	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples

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41. PRINCIPAL SUBSIDIARIES (Continued)

a) The particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activities
寧縣海升現代農業有限公司 translated as Ning County Haisheng Modern Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
昭通海升現代農業有限公司 translated as Zhaotong Haisheng Modern Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**66.1%**	99.6%	Plantation and sale of apples
陝西超越農業有限公司 translated as Shaanix Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB100,000,000	–	–	**99.6%**	–	Investment holding
寶雞超越農業有限公司 translated as Baoji Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
洛寧超越農業有限公司 translated as Luoning Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	–	Plantation and sale of apples
陝西富平超越農業有限公司 translated as Shaanxi Fuping Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	–	Plantation and sale of apples
彬縣海越農業有限公司 translated as Binxian Haiyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB30,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
吳忠海越農業有限公司 translated as Wuzhong Haiyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
阿拉爾超越農業有限公司 translated as Alaer Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
黃龍超越農業有限公司 translated as Huanglong Cheoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
太白超越農業有限公司 translated as Taibai Chaoyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB30,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples
崇信縣海越農業有限公司 translated as Chongxin County Haiyue Agriculture Co., Ltd.(2)	The PRC	The PRC	RMB10,000,000	–	–	**99.6%**	N/A	Plantation and sale of apples

41. PRINCIPAL SUBSIDIARIES (Continued)

a) The particulars of the principal subsidiaries of the Company as at 31 December 2015 and 2014 are as follows: (Continued)

Notes:

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

(2) Limited liability company registered 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.

None of the subsidiaries had any debt securities in issue at the end of the year except for Shaanxi Haisheng, which has issued RMB450,000,000 corporate bond (note 27).

b) Decrease in ownership interest in a subsidiary without loss of control

On 5 December 2014, Shaanxi Haisheng, a subsidiary of the Group entered into a capital increase agreement (the "Agreement") with Modern Fruit, Shaanxi Financial Holding Group Company Limited ("Shaanxi Financial") and China Agriculture Industry Development Fund Co., Ltd., ("China Agriculture") both of which were independent third parties at the time of the Agreement, to inject an additional capital of RMB430 million into Modern Fruit, a subsidiary of the Group ("Capital Injection"). Pursuant to the Agreement, Shaanxi Haisheng, Shaanxi Financial and China Agriculture shall contribute additional capital of RMB250 million, RMB100 million and RMB80 million respectively by 31 December 2015. During the year ended 31 December 2015, Shaanxi Haisheng and China Agriculture had made full capital contribution and Shaanxi Financial paid RMB50 million resulting in a dilution of shareholding in Modern Fruit. The Group received total cash capital contributions of RMB130 million from the non-controlling shareholders. The difference of RMB9,113,000 between the capital contribution of RMB130,000,000 and the amount of non-controlling interests adjusted of RMB139,113,000 was directly recognised in other reserve. The remaining balance of RMB50 million due by Shaanxi Financial was remained unpaid up to the date of approval of these consolidated financial statements. Upon the completion of the capital injection by Shaanxi Financial, the Group's equity interest in Modern Fruit will be further diluted to approximately 58.20%.

c) Details of non-wholly owned subsidiaries that have material non-controlling interests

In the opinion of the Directors, Modern Fruit (together with its subsidiaries), a non-wholly owned subsidiary of the Group, has material non-controlling interests. The proportion of ownership interest and voting right held by the non-controlling interest is 33.94% as at 31 December 2015. Detailed information is set out below: The non-controlling interests in respect of other subsidiaries are not material to the Group.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by non-controlling interests %	Profit allocated to non-controlling interests RMB'000	Accumulated non-controlling interests RMB'000
Modern Fruit	Xi'an, Shaanxi Province the PRC	**33.94**	**6,457**	**145,570**

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41. PRINCIPAL SUBSIDIARIES (Continued)

c) Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of Modern Fruit (together with its subsidiaries) is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Modern Fruit and its subsidiaries	As at 31.12.2015 RMB'000
Current assets	105,070
Non-current assets	415,660
Current liabilities	(54,615)
Non-current liabilities	(35,422)
Equity attributable to owners of Modern Fruit	285,123
Non-controlling interests	145,570

	Year ended 31 December 2015 RMB'000
Revenue	42,590
Profit before taxation	17,875
Income tax expense	(125)
Profit for the year	17,750
Other comprehensive income for the year	–
Total comprehensive income for the year	17,750
Non-controlling interests	(6,457)
Total comprehensive income after non-controlling interests	11,293
Dividends paid to non-controlling interests	–
Net cash inflow from operating activities	38,144
Net cash outflow from investing activities	(119,036)
Net cash inflow from financing activities	84,151
Net increase in cash and cash equivalents	3,259

In the opinion of the directors, there is no subsidiary that has material non-controlling interest to the Company's consolidated financial statements requiring disclosure under IFRS 12 as at 31 December 2014.

41. PRINCIPAL SUBSIDIARIES (Continued)

d) Assets and liabilities over which control was lost:

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 assets and liabilities of Laiyang were classified as assets held for sale and liabilities associated with assets held for sale as at 31 December 2013. The disposal of Laiyang was completed during the year ended 31 December 2014.

	RMB'000
Consideration received	26,000
Property, plant and equipment	10,913
Prepaid lease payments	4,214
Inventories	50
Other receivables	2
Bank balances and cash	347
Other payables	(343)
Net assets disposed of	15,183
Gain on disposal	10,817

42. EVENTS AFTER THE REPORTING PERIOD

a) On 28 December 2015, 陝西超越農業有限公司 ("陝西超越"), a subsidiary of the Group, entered into a capital increase agreement with 彬縣海越農業有限公司 ("彬縣海越") and 彬縣城市建設投資開發有限責任公司 ("彬縣城建"), an independent third party at the time of the agreement, to inject an additional capital of RMB100 million into 彬縣海越, a subsidiary of the Group. Pursuant to the agreement, 陝西超越 and 彬縣城建 shall contribute additional capital of RMB60 million and RMB40 million respectively by 31 December 2016. Since the end of the reporting period, 彬縣城建 made a total capital contribution of RMB30 million and 陝西超越 made a total capital contribution of RMB60 million. Upon the completion of the capital injection, the Group's equity interest in 彬縣海越 will be diluted to approximately 69%.

b) On 25 June 2016, Shaanxi Haisheng entered into an equity joint venture contract with Distell International Holdings Limited ("Distell") pursuant to which Distell and Shaanxi Haisheng have agreed to establish a company in the PRC (the "JV Company") with a registered capital of RMB100 million and each of Distell and Shaanxi Haisheng has agreed to contribute to the registered capital of the JV Company at RMB51 million and RMB49 million, respectively. Upon the completion of the capital contributions, the JV Company will be owned as to 51% and 49% by Distell and Shaanxi Haisheng respectively.

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43. NEW AND REVISED IFRSs IN ISSUE 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 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 15	Revenue from Contracts with Customers[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]
Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to IAS 7	Disclosure Initiative[5]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2017.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and these lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The directors of the Company will assess the impact of application of IFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detail review.

The directors of the Company anticipate that the application of other new and revised IFSs will have no material effect on the Group's consolidated financial statements.

44. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.