2016 Annual Report

China Haisheng Juice Holdings Co.,Ltd.

中國海升果汁控股有限公司

Stock Code : 359

CONTENTS

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. Zhao Boxiang
Mr. Li Yuanrui
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. Zhao Boxiang
Mr. Li Yuanrui
Mr. Chan Bing Chung

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Financial Highlights

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**2,872,696**	2,131,341	1,676,180	1,466,152	1,457,497
Net current (liabilities)/assets	**(522,597)**	(618,883)	12,204	(5,984)	(257,163)
Non-current liabilities	**(1,128,982)**	(381,505)	(698,606)	(495,749)	(179,487)
	1,221,117	1,130,953	989,778	964,419	1,020,847
Share capital	**13,061**	13,061	13,039	13,039	13,039
Reserves	**999,198**	969,355	974,434	949,233	1,005,504
Equity attributable to owners of the Company	**1,012,259**	982,416	987,473	962,272	1,018,543
Non-controlling interests	**208,858**	148,537	2,305	2,147	2,304
Total equity	**1,221,117**	1,130,953	989,778	964,419	1,020,847

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,127,434**	1,143,990	1,237,010	1,669,210	1,918,330
Profit/(loss) before tax	**47,883**	7,025	24,631	(52,831)	(52,361)
Income tax credit/(expense)	**25**	(1,317)	(1,428)	(3,367)	(3,764)
Profit/(loss) for the year	**47,908**	5,708	23,203	(56,198)	(56,125)
Profit/(loss) for the year attributable to:					
Owners of the Company	**26,825**	(1,411)	23,045	(56,041)	(55,918)
Non-controlling interests	**21,083**	7,119	158	(157)	(207)
	47,908	5,708	23,203	(56,198)	(56,125)

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 am pleased to present the report of the consolidated results of the Company for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group recorded a revenue of approximately RMB1,127.4 million and gross profit of approximately RMB240.8 million, representing an increase of 24.04%; as well as a profit attributable to owners of the Company of approximately RMB26.8 million and basic and diluted earnings per share amounted to RMB2.12 cents and RMB2.11 cents respectively.

During the year under review, the demand of global apple juice concentrate market rebounded and the total export volume of apple juice concentrate in the People's Republic of China (the "PRC") increased by approximately 40,000 tones. However, the international market price of apple juice concentrate slightly decreased. With reasonable controls over the production volume and raw materials costs, coupled with continuously improved production efficiency through technological upgrading, the Group further reduced the unit production cost of apple juice concentrate, which mitigated the impact of lower apple juice concentrate price.

Since the consumers in PRC have been paying more and more attention to the food safety and health, the market of high-end beverages in PRC has been expanding. Under this backdrop, the Company continued to optimise product structure. During the reporting period, the Group launched dozens new products to the market to consolidate the Group's business development and increase profitability. For example, "Eden View", a bottled juice, was welcomed by our customers and consumers. It was distributed through various channels, including restaurants, supermarkets, hotels, cinemas, etc., and was designated as the exclusive drink for the G20 Agriculture Ministers Meeting 2016.

For modernised agriculture segment, the Group expanded product variety and sales channels while focusing on production management, which was our major work for the year. Through continuously learning and exploration, the Group's overall production skills and profitability was thoroughly improved in respect of seedlings, cultivation techniques, production standards and post-harvest management.

OUTLOOK AND PROSPECT

We believe that the market price of apple juice concentrate will be reasonably stable in future. With further recovery of global demand, we will continue to keep our leading position in juice concentrate industry in international market to guarantee the stable operation of the Group. Meanwhile, based on our position in domestic high-end beverage market, the Group will enhance the management of existing business and keep strengthening the Group's market influence.

Currently, PRC's agriculture industry has been transforming from small peasant economy model to the modernised agriculture structure. During the course of transformation, a lot of new technology and commercial model will emerge. Directors of the Group are confident of grasping the opportunity in the industry to lead the Group to become a comprehensive modernised agriculture group enjoying prominent influence within the industry.

APPRECIATION

The Group's transformation is far from the end. We will continue to sincerely conduct our business and coordinate and develop each business segment. We are looking forward to share the result with all investors and shareholders in the near future. 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 transformation of the Group.

By order of the Board
Gao Liang
Chairman

Xian, the PRC
29 March 2017

Management Discussion & Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2016, China Haisheng Juice Holdings Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately RMB1,127.4 million, representing a slight decrease of 1.5% over previous year. Gross profit margin for the current year is 21.4% as against 17.0% in previous year.

The revenue in 2016 was slightly decreased by 1.5% because the average selling price of the apple juice concentrate of the Group was slightly decreased during the year.

The increase in gross profit margin in 2016 was mainly attributable to the decrease in the cost of apples, the main raw material of the Group and the increase in sales of products with higher gross profit margin such as apple pectin and consumer beverage.

Other income increased by 3.6% to approximately RMB149.1 million which mainly represented subsidies from the People's Republic of China (the "PRC") government.

The increase in other gains and losses by 34.9% to approximately RMB58.2 million was mainly attributable to the increase in gain on disposals of property, plant and equipment.

The decrease in distribution and selling expenses by 2.7% to approximately RMB128.6 million was mainly attributable to the decrease in sales with shipping terms that included freight charges during the current year.

The administrative expenses increased by 28.3% to approximately RMB157.3 million which was mainly attributable to the increase in number of fruit agriculture bases.

The decrease in finance costs by 14.7% to approximately RMB91.6 million which was mainly attributable to the capitalisation of interest expense relating to the construction of fruit agriculture bases.

Attributable mainly to the aforesaid, the Group attained an audited profit attributable to owners of the Company of approximately RMB26.8 million, as against loss attributable to owners of the Company of approximately RMB1.4 million in the last year.

Liquidity, financial resources and gearing

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

As at 31 December 2016, the Group's bank and other borrowings, bills payables and finance lease payables amounted to approximately RMB2,336.5 million (2015: RMB1,803.9 million), among which, an aggregate amount of approximately RMB1,365.7 million (2015: RMB800.4 million) was secured by way of charge on the Group's assets. The balances denominated in RMB, United States dollars ("USD") and Euros were approximately RMB2,048.7 million (2015: RMB1,440.3 million), RMB287.8 million (2015: RMB344.9 million) and RMBNil (2015: RMB18.7 million) respectively.

	2016 RMB'000	2015 RMB'000
Bank loans	**1,514,892**	1,116,389
Corporate bond (note)	**–**	450,000
Other borrowings	**373,545**	–
Loan from government	**1,295**	1,295
Bills payables	**210,323**	25,582
Finance lease payables	**236,474**	210,631
	2,336,529	1,803,897

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/People's Bank of China Base Lending Rate plus a margin for both years.

As at 31 December 2016, the bank and cash balances including pledged bank deposits amounted to approximately RMB304.6 million (2015: RMB124.3 million).

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank and other borrowings, bills payables and finance lease payables less pledged bank deposits and bank and cash balances 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 2016, the gearing ratio was 166.4% (2015: 148.5%).

Formation of an associate

On 25 June 2016, Shaanxi Haisheng Fruit Juice Co., Ltd. ("Shaanxi Haisheng"), a subsidiary of the Company, entered into an equity joint venture contract with Distell International Holdings Limited ("Distell") pursuant to which Distell and Shaanxi Haisheng agreed to establish a company in the PRC ("Distell Haisheng") with a registered capital of RMB100 million and each of Distell and Shaanxi Haisheng agreed to contribute to the registered capital of Distell Haisheng at RMB51 million and RMB49 million, respectively. Upon the completion of the capital contributions, Distell Haisheng was owned as to 51% and 49% by Distell and Shaanxi Haisheng respectively. Distell is a member of the Distell Group which is Africa's leading producer and marketer of ciders, ready-to-drinks, spirits and fine wines and one of the largest producers of ciders worldwide. Distell Haisheng is engaged in manufacturing, marketing and distributing alcoholic ready-to-drink beverages, excluding spirits and wines, in the PRC.

Exposure of foreign exchange

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

Capital commitments

As of 31 December 2016, the Group has capital commitments of approximately RMB262.0 million (2015: RMB355.7 million).

Pledge of assets

As at 31 December 2016, the Group pledged property, plant and equipment, prepaid land lease payments, pledged bank deposits, inventories and trade and other receivables as security for the Group's bank and other borrowings and finance lease payables with carrying amount of approximately RMB1,405.9 million (2015: RMB1,008.6 million).

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2016 (2015: Nil).

BUSINESS REVIEW

Juice concentrate and by-product processing

In 2016, the production volumes of apple in Europe, a major apple producer in the world, and PRC were basically kept at the same level as last year, with slightly lowered overall production in the apple juice processing industry, stable supply and demand of apple juice concentrate globally and general increment of total consumption. PRC's apple juice concentrate export volume increased by 7.9% from 472,800 tons in 2015 to approximately 510,000 tons in 2016. During the year, the Group controlled costs through comprehensive budget management and enhanced gross profit margin by further optimising its product mix, which helped to improve the fruit juice operation segment.

In 2016, the Group remained as the largest exporter of apple juice concentrate in the PRC, while sales in Russia, Europe, South Africa and Australia rose by 136%, 89%, 30% and 9% as compared with last year respectively. During the reporting period, the Group continued to diversify its product mix and strengthened cooperation with clients through resource advantages and quality products and services: its minor fruit juice, new concentrates and pectin products gained market recognition that resulted increment of sales, and its product lines were complemented by quality imported juice so that a comprehensive product portfolio comprising of both tropical and temperate fruit juice can be offered to customers in the PRC.

Management Discussion & Analysis

In connection to the domestic market, the Group extended into end-user markets downstream and launched six flavours of "Eden View" high-end bottled juice, which received positive market response with high demand. The product rapidly spread to mid and high-level restaurants, high-end hypermarkets, star-rated hotels, franchised cinemas and franchised bakeries in 29 provinces of the PRC, and was designated as the exclusive drink for the G20 Agriculture Ministers Meeting 2016.

With regard to production, the Group developed a market-oriented and rationalised production plan to control prices of raw materials, enhance efficiency and reduce costs. In 2016, the Group increased its research and development expenditure in food ingredients and completed the research and production line of new products such as pectin, freeze-dried fruit and jam. Furthermore, it also entered into an agreement with Distell, a South Africa-based company and the second largest cider producer in the world, to jointly establish a winery in Dangshan, Anhui Province, which is expected to commence operation by 2017.

During the reporting period, the Group completed the registrations of the following patents:

Bottle (330ml model)	Patent No. 201630192598.9
Compound lactic acid bacteria orange juice beverage and its preparation technology	Patent No. 201610798562.4
Low-sugar chia seed, rose and strawberry specialty jam and its preparation technology	Patent No. 201610798564.3

In 2017, in addition to consolidating existing apple juice concentrate business, the Group will strengthen the marketing of pectin, concentrate products and the "Eden View" bottled juice to enhance profitability of the fruit processing segment and seek innovation to sustain such enhancement.

Modernised agriculture

After the development in recent years, the modernised agriculture segment of the Group has built up a product mix comprising of temperate fruit products as well as tropical fruits, berries, vegetables and other products. To enhance the production management, the segment had set up seven business departments, i.e. temperate fruits, tropical fruits, berries, vegetables, agricultural facilities, tourism and fresh fruit marketing.

As at the end of 2016, the temperate fruits business department had established 36 modernised apple plantation bases and five plantation bases for pear, cherry and kiwi, which covered more than 38,000 mu in total. Technical issues regarding seedling cultivation were also overcome, allowing the growing of over four million dwarf rootstock seedlings and facilitating the promotion and application of intensive dwarf cultivation as well as transformation of PRC's apple industry.

As at the end of 2016, the tropical fruits business department of the Group established modernised and standardised citrus model bases in Guangxi Province, Sichuan Province and Guizhou Province with an area of over 6,000 mu. The berries business department established 10 berry plantation bases in Shaanxi Province, Guangxi Province, Sichuan Province and other places as well as tissue culture centers which achieved the technology of virus-free cultivation of premium berry seedlings. The agricultural facilities business department completed the construction of a 50,000 square meters multi-span smart strawberry greenhouse in Tongchuan, Shaanxi Province and established the premium strawberry brand "Pure Twig" (枝純), which was qualified as certified organic products to supply to Hong Kong and Macau markets. It also initiated the construction of a 120,000 square meters smart vegetable greenhouse in Pingliang, Gansu Province during the reporting period. The vegetables business department built four modernised baby carrot plantation bases of over 1,300 mu in different latitude zones in the PRC for the nine globally selected premium varieties of baby carrot and established the first fruit carrot brand in the PRC, namely "Sweetheart" (吮指甜心).

Other than expanding its modernised plantation bases, the Group also continued to improve, explore and commit to enhance its overall agricultural production level and product quality in respect of seedlings, cultivation techniques, production standards and post-harvest management. During the reporting period, the Group introduced a number of virus-free breeder seeds and premium varieties of apples, berries and citruses from Germany, France, Canada, United States of America and Italy. Equipped with the state-of-the-art hail prevention system, large-scale orchard harvesting system, fruit quality sorting and packaging system and the modified atmosphere fruit storage technology, both the quality and quantity of our products were enhanced and stable supply was secured throughout the year as the freshness of fruits are extended.

In 2016, sales of the three major perishable products of the Group (apple, baby carrot and strawberry) recorded significant growth as compared with last year, mainly due to stable product quality and quantity and marketing efforts. In addition to existing sales channels of distributors and hypermarkets, the Group developed direct sales channels such as regional fruit chain stores, wholesale markets and bakeries, as well as the exportation of apples to the international market by developing international channels. During the reporting period, the Group forged strategic cooperation with Golden Wing Mau Group and Wikiwand Supermarket and elevated the brand influence of "Eden View" through participation in industry forums and exhibitions.

In the future, the Group will continue to seek expansion in the international market, setup regular communication mechanisms with agricultural specialists and schools around the world, increase technical and skill training for staff, continuously improve operational and management standards of different systems and strengthen control and operation of bases. With regard to channel expansion, the Group will continue to expand channels in first-tier cities and at the same time make effort in developing those in second-tier and third-tier cities and online e-commerce, so as to gain more market share for "Eden View" products.

Social and Environmental Governance Report

1. INTRODUCTION

About this report

This report is the first Environmental, Social and Governance ("ESG") Report of China Haisheng Juice Holdings Co., Ltd. (the "Company") with the focus on the disclosure of the Company and its subsidiaries' information on the environment and the society. This report is prepared according to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Reporting period and scope

This report includes the data and information about the Company, the fruit juice processing plants and agricultural cultivation companies under it and covers the financial year of the Company from 1 January 2016 to 31 December 2016.

2. ENVIRONMENTAL PROTECTION

The agricultural cultivation bases of the Company comply with the standards under the Global Good Agricultural Practices ("Global GAP") and are equipped with advanced agricultural machinery. Compared with traditional agricultural cultivation, they can save water and fertilizers with the effects of improving the environment. The research and development, processing and sale of fruit and vegetable juice products conducted by the Company are closely related to environmental protection and the use of natural resources. The Company has formulated series of management policies, mechanisms and measures on the protection of environment and natural resources to achieve the target of sustainable development and operation.

The Company strives to improve the utilisation efficiency of various energy, water resources and materials. Meanwhile, it follows relevant regulations on environment of the places where it has business operations as well as international rules to reduce the use of natural resources and protect the environment. It has taken actions including the calculation of greenhouse gases based on international standards, the emission reduction and recycling of wastes and energy saving in plants with high energy consumption.

Use and procurement of raw materials

The raw materials used in the fruit and vegetable juice processing industry are mainly fresh fruit and vegetables. All materials of the Company are procured from repeatedly confirmed qualified plantation areas. It also selects local qualified suppliers to reduce the risks on supply suspensions and the carbon emission in the transportation of materials.

Use of energy

The key points in the strategies of the Company on the management of energy use are as follows:

1) Gradually eliminate fossil fuels with high pollution/carbon emission and replace them with power or clean fuels.

2) Conduct the monitoring on energy use and focus on improving the energy efficiency of equipment to reduce energy consumption.

3) The Company also formulated the "*Energy Management Measures*" for rational use of energy and the gradual enhancement of the use of energy.

4) The energy categories used in the fruit and vegetable processing plants of the Company include electricity, coals and steam. The annual use of energy and the average energy consumption per ton of products are as follows:

Energy categories	Electricity (kwh)	Coal (ton)	Steam (cubic meter)	Natural gas (cubic meter)
Usage amount	31,112,783	46,210	23,474	2,777,593
Average energy consumption per ton of fruit juice	265.95	0.39	0.20	23.74

5) The Company conducts energy-saving technological transformation on major equipment based on their conditions every year. To implement energy-saving systems, the Company gradually replaces coal-fired boilers with natural gas-fired boilers from 2016.

Use of water resources

The fruit and vegetable juice processing is an industry with high water consumption. On the use of water resources, the Company develops strategies on water balance and recycles the fruit evaporation water generated from the production process. Based on water resources management policies, the Company ensures that safe water meeting the legal standards on water quality is provided and effluent is treated to meet the requirements of local regulations on water emission.

To manage the safe use of water resources, the plants are equipped with reverse osmosis water purification system and equipment. It also developed operation standards on water purification and the treatment of waste water and conducts regular testing on water quality. Meanwhile, it regularly appoints external agencies to test water quality according to laws to ensure that the water quality in all plants is safe and clean.

Currently, the supply of water resources in all areas is mainly from local municipal water supply and its own well water, and there is no problem in seeking appropriate water sources. The total water consumption at fruit and vegetable processing plants was approximately 2,214,437 cubic meters in 2016. The sources of the water supply and water consumption of the Company are within the scope of permission of local governments and has no significant influence on the sources of the water supply.

Emission of waste water

The Company formulated the "Pollution Emission Management Measures" to reduce emissions from sources and handle them properly to meet regulatory requirements.

Most of the polluted water are from the washing water for fruit, the emission of waste after the ultrafiltration of juice and the waste water from washing equipment and pipelines in the plant areas. Only a small proportion is from domestic water consumption of employees. All plants are equipped with sewage treatment stations for industrial waste water and the waste water will not be emitted until meeting the emission standards after treatment.

All plants are equipped with large sewage treatment systems. They conduct different models of treatment processes based on the treatment requirements on water quality to ensure the effectiveness of the treatment. Plants are equipped with dedicated water quality laboratories to conduct testing and monitoring on water quality. Meanwhile, it regularly entrusts local competent authorities to collect samples and test emitted water according to laws and emit waste water through legal discharge outlets after meeting the standards. In 2016, the Company did not receive any notice on illegal emission at the discharge outlets of our plants and there were no significant environmental effects on the discharge of water and surrounding environment.

Emission of greenhouse gases

The Company pays continuous concern to the Paris Agreement and relevant laws and regulations or specific actions of all countries on reducing the emission of greenhouse gases. Besides abiding by relevant laws and regulations of all strongholds, it also developed and implemented measures on reducing the emission of greenhouse gases. The Company currently assists plants in energy-saving and reducing carbon emission through energy-saving programs and gradually phasing out fossil fuels with high pollution/high carbon emission.

The emission of greenhouse gases during the production of fruit and vegetable juice is mainly from the dust, sulfur dioxide and oxynitride from the use of electricity and the combustion of fossil fuels. As for hydrochlorofluorocarbon, perfluorocarbon and sulfur hexafluoride, only a few sulfur hexafluoride are used as insulated filling gas in high voltage distribution equipment. Based on the statistics of manufacturers, its routine leakage chances are extremely low. As a result, the carbon emission from dissipation is only calculated when the equipment is filled. In 2016, the total carbon emission from greenhouse gases is approximately 124,000 tons, approximately 76% are from the combustion of fossil fuels and 24% are from the use of electricity.

Social and Environmental Governance Report

Pollution prevention and management

Environmental management policies

Following the principle of balancing environmental protection and production, the Company adopted the following measures on environmental protection:

1) Introduce the effective operation of the environmental management system, implement the prevention of environmental pollution and impact management to continuously improve and promote the sustainability of environmental resources.

2) Comply with and meet the relevant laws and regulations on environmental protection and other requirements and develop and implement relevant standards and operation procedures based on them.

3) Optimise manufacturing process, promote clean production, reduce the emission of pollutants, implement the control and management of pollution and conduct regular testing and inspection.

4) Reduce the use of hazardous substances, promote the implementation of measures on reducing the emission of industrial waste, recycling of resources, energy saving and reduction of carbon emission to continuously improve the performance of the enterprise in environmental protection.

5) Strengthen education and training to enhance the awareness of all employees on environmental protection to fully implement environmental responsibilities.

6) In practical operation and management, the Company develops relevant standards on environmental protection as the standards implemented in all plants. Meanwhile, the Company establishes the management system on the independent operation of plants with reference to the ISO 14001 "Environmental Management System".

Compliance in environmental management

Based on the respect and protection of environmental resources, the plants of the Company conduct special collection and treatment of pollutants generated from the production and operation and requires proper treatment to meet the requirements and standards of local regulations before emission.

There were no significant illicit emissions and leakages from the plants of the Company that resulted in serious environmental pollution and shock in 2016.

Biodiversity impact management

For the operation of strongholds, the Company conducts evaluations on the environment of relevant industrial lands and relevant regulations in the early period of planning. The selected production bases are located in the areas permitted by the local government to conduct economic development. They are not habitat of creatures protected or reserved by local government and there are no endangered species under international conservation. The Company tries to avoid affects and impact on local biodiversity and environment.

Air pollution sources management

Currently, the air pollution sources of plants are mainly volatile organic compounds, smoke from fuel boilers and the exhaust flue from kitchens. For the prevention and control of air pollutants, the Company and its subsidiaries (the "Group") properly handles air pollutants to meet the standards on clean production and regulation requirements.

Wastes management

The plants of the Company focus on the legitimate removal and recycling of wastes. They entrust government certified suppliers to clean and treat all wastes based on the requirements of local regulations.

The wastes at the plants are mainly classified into four categories, including domestic wastes, industrial wastes, dangerous wastes and recyclable wastes. For domestic wastes and industrial wastes, they entrust local qualified suppliers to clean and handle them. For dangerous wastes, the plants identify and classify dangerous wastes based on local or national laws and order and set special areas for the temporary storage of dangerous wastes under the management of special staff, and entrust companies recognised by the national environmental protection authorities to handle them. For recyclable wastes, the plants establish the control center for recyclable materials in plant areas to conduct unified collection and classified management.

As at 31 December 2016, the cleaning and treatment of all wastes meet local management requirements.

3. EMPLOYEES

Employment

In 2016, the Group preciously hunted core technical employees from the talent market based on the development requirements of the Company and completed the recruitment of the core technical team. Through the cooperation with globally renowned agricultural universities, the Company reserved huge technical talents and completed the establishment of the technical talent team.

The Group views talents as core resources of the enterprise and provides employees with competitive remuneration and welfare treatment in the market. It consistently improves various systems on the selection, use, cultivation and retaining of employees, creates an equitable and open occupational environment for employees and provides internationalised and diversified development opportunities. The Group strictly guarantees the legitimate rights of employees on social insurance and various leaves and holidays. The Company respects the religious belief and personnel stance of all candidates, with the value creation as the orientation to appraise the ability, quality and compliance with the position without any sexual discrimination, national discrimination and bias against the disabled and other unequal activities.

Composition of employees

As at 31 December 2016, the Group has a total of 2,093 employees, approximately 99.5% of which are located in the People's Republic of China (the "PRC"). The proportion of male and female employees is approximately 62:38. Over 40% of employees hold the bachelor's degree or above and 11% hold the master's degree or above. The employee turnover ratio is approximately 14% in 2016.

Health and safety

The Group guarantees the health and safety of employees in the working environment for long term and regularly reviews relevant safety procedures and operation specification and conducts trainings for employees to minimise safety accidents in the working environment. The Group provides an excellent working environment for employees and implements various regulations of the standards on social responsibilities of enterprises about occupational health and safety. It also arranges full health check-up for all employees every year. There are no work-related injuries or death of employees in 2016.

Social and Environmental Governance Report

Development and training

The Group provides employees with individual and career development opportunities to improve the attractiveness of positions. It provides employees with various trainings with different contents every year. The average training time is 56 hours in 2016. Besides the unified induction training and trainings on technical improvement, safety education, corporate values, professional ethics and management ability arranged by the Group, all divisions and departments will arrange relevant employees to participate in internal and external trainings and learning based on the working requirements.

Employee welfare

The Group provides employees with competitive remunerations and welfare treatment and contributes social insurance for employees according to national and local laws and regulations. The Company arranges holidays based on national laws and regulations. All employees enjoy paid annual leaves, marriage leaves, maternity leaves and private affair leaves.

The group held various activities to actively promote the corporate cultural construction in 2016, including the riddle-guessing activities at the Lantern Festival, making rice dumplings on the Mid-Autumn Day, fun games, book recommendation by senior management and other activities, which enhanced the cohesiveness and sense of belonging of employees.

Labour standards

The Group strictly abides by relevant labour laws and regulations in Hong Kong and PRC and prohibits the employment of child labours or forced labours in 2016. During the recruitment, the Human Resources Department strictly follows the "*Labour Law of the PRC*" in the recruitment of employees and future retention, and requires candidates to confirm their relevant information by written confirmation. If any information found in violation of employment standards, the recruitment will be terminated.

4. OPERATION MANAGEMENT

Suppliers

Suppliers are an important part in the business of the Group. They provide the Group with different products and services, including office equipment, transportation services, raw materials for production and construction services. The Group tries its best to treat suppliers and their business partners with its utmost respect and integrity and selects suppliers through a fair process. The Group selects suppliers based on reasonable and clear standards, such as the product quality, after-sale services, prices and payment days and records on cooperation, to procure most competitive resources and products and services with the best quality. The Group also established reports on the records of services and monitors the overall performance of the suppliers selected. It will eliminate suppliers with bad cooperation records and continuously cooperate with quality suppliers. A majority of suppliers of the Group are located in the PRC.

Product liabilities

After more than twenty years of development, the clients of the Group are located in more than twenty countries and regions in the world. The Group owned advanced workmanship to guarantee the high quality of juice concentrates. The juice concentrates products of the Group have passed the ISO9001 certification, the SGF certification, the KOSHER certification on clean food and the HACCP certification on food safety as well as the internal

certifications of various well-known food manufacturers in the world. The fresh fruit and vegetable products supplied to the client by the Group have passed standard sorting and tests to guarantee the green, high quality and safety of products. The Group conducts the survey on the satisfaction of clients every year to better understand the opinions and requirements of clients and their objective appraisal on the Group. The report on the survey conducted in 2016 shows that clients are satisfied with the Group.

Anti-corruption

In 2016, the Group abided by all relevant anti-corruption laws on anti-corruption in Hong Kong and PRC. The Group attaches great importance to the education and training on the professional ethics of employees and requires no employees to obtain benefits from clients, contractors, suppliers or persons with business relations with the Group. For the gifts voluntarily given by them, employees shall apply to the leaders or the Human Resources Department for approval. The Group has reporting policies and employees can report any doubtful illegal or improper activities to the Human Resources Department or independent non-executive directors. Whenever a report is received, the Group will conduct detailed investigations and reviews. Once it is confirmed that employees are involved in abuse of authority and corruption activities, they will be dealt with severely.

Community

The Group encourages employees to participate in community activities, including organising employees to help sanitary workers to conduct cleaning and sanitary work in communities, organising volunteers to assist traffic police to maintain traffic order and facilitate the travelling of citizens and organising employees to participate in picking up candidates for college entrance examinations for free during the examination period.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang（高亮）, aged 56, 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 Enterprencurs 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 37, 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 44, 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 41, 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 36, 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.

Directors and Senior Management

Independent Non-executive Directors

Mr. Zhao Boxiang (趙伯祥), aged 72, 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 75, 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 48, 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 45, 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

China Haisheng Juice Holding Co.,Ltd (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 (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year under review. 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 CG Code by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company (the "Shareholders") 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 (the "AGM") and to invite the chairman of audit, remuneration and nomination committees 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 23 September 2016 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 (the "Board") of directors (the "Directors") 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 2016.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises seven 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 Company and its subsidiaries' 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 six board meetings during the year under review. At the meeting, the Directors discussed and formulated overall strategies for the Company and its subsidiaries (collectively 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)*	6/6	0/1
Mr. Ding Li	6/6	0/1
Mr. Zhao Chongjun	6/6	0/1
Mr. Wang Linsong (appointed on 10.8.2016)	2/2	0/1
Mr. Zhang Xiang (resigned on 10.8.2016)	3/3	0/0
Independent non-executive Directors		
Mr. Zhao Boxiang	6/6	0/1
Mr. Li Yuanrui	6/6	0/1
Mr. Chan Bing Chung	6/6	1/1

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 2016, 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, reviewed and monitored the code of conduct applicable to employees and directors as well as the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Under the Company's articles of association (the"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 reelection at annual general meetings. The term of the appointment of each of the INEDs is three years.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three INEDs, representing at least one-third of the Board. The Board considers that all INEDs 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 INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and hence the Company still considers the INEDs 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 CG Code. During the year under review, the remuneration committee comprised of three members, namely Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Chan Bing Chung. All of them were INEDs. 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 and the terms of appointment of the INEDs. Details of the attendance of the remuneration committee meetings are as follows:

Directors	**Attendance/Number of Remuneration Committee Meetings**
Independent non-executive Directors	
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 INEDs 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 CG Code. During the year under review, the nomination committee comprised four members, namely Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Li Yuanrui and Mr. Chan Bing Chung. One of them is an executive Director and the Chairman of the Board and the other three are INEDs. 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 two meetings during the year under review to review the annual confirmation of independence submitted by the INEDs 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**
Executive Director	
Mr. Gao Liang *(Chairman)*	2/2
Independent non-executive Directors	
Mr. Zhao Boxiang	2/2
Mr. Li Yuanrui	2/2
Mr. Chan Bing Chung	2/2

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG 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, namely Mr. Chan Bing Chung, Mr. Zhao Boxiang and Mr. Li Yuanrui. All of them were INEDs. The chairman of the audit committee was Mr. Chan Bing Chung.

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

Directors	**Attendance/Number of Remuneration Committee Meetings**
Independent non-executive Directors	
Mr. Chan Bing Chung *(Chairman)*	4/4
Mr. Zhao Boxiang	4/4
Mr. Li Yuanrui	4/4

The following is a summary of the work performed by the audit committee in 2016:

– Review of the report from the external auditor on the audit of the final results of the Group for the year ended 31 December 2015;

– Review of the draft financial statements of the Group for the year ended 31 December 2015;

– Review of the draft results announcement and annual report of the Group for the year ended 31 December 2015;

– Review of the external auditor's independence and transmission of a recommendation to the Board for the re-appointment of the external auditor at the forthcoming AGM;

– Review of the draft results announcement and interim report of the Group for the period ended 30 June 2016;

– Debriefed the internal control work on a periodic basis to urge improvement; and

– 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 2015 and the unaudited interim results for the six months ended 30 June 2016 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 had been made.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the fees paid or payable in respect of audit services provided by the Group's external auditor, RSM Hong Kong and other RSM network firms, amounted to RMB2,500,000.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors for the accounts and the responsibilities of the external auditor to the shareholders are set out on page 35.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems (the "Systems") over the Group's asset and shareholders' interests, as well as for reviewing the Systems' effectiveness. The Systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The Systems include a well-established organisational 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, together with the audit committee and internal audit functions, regularly assess the effectiveness of the Systems, and ensures that the management comes out its duty by establishing and maintaining effective and adequate Systems.

For the year ended 31 December 2016, the Board's audit committee and the Group's internal audit team, with the assistance of the management, conducted a review of the Systems and assessed the effectiveness of the Systems by taking into account the reviews by its auditor. Based on the above review, the Board considers that the Group's Systems are generally appropriate.

COMPANY SECRETARY

As at 31 December 2016, 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 AGM as an important event as it provides an opportunity for direct communications between the Board and its Shareholders. All Directors, senior management and external auditor 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 AGM of the Company. The Company supports the CG 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 (the "Directors") of China Haisheng Juice Holdings Co.,Ltd. (the "Company") present their annual report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries 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 40 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Company and its subsidiaries (collectively 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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 37 of this annual report. The board of Directors (the "Board") does not recommend any payment of a final dividend for the year ended 31 December 2016.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB615.5 million in the acquisition of property, plant and equipment which mainly comprised buildings and cultivation equipment and facilities. 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 non-controlling interests of the Group for the year ended 31 December 2016 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 32 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits/(accumulated losses) which in aggregate amounted to approximately RMB634.0 million as at 31 December 2016. 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 Company's articles of association (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. Zhao Chongjun
Mr. Ding Li
Mr. Wang Linsong (appointed on 10.8.2016)
Mr. Zhang Xiang (resigned on 10.8.2016)

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. Gao Liang, Mr. Ding Li and Mr. Zhao Chongjun will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for reelection. 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 17 to 18 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 Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 Liang 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. 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. Wang Linsong has entered into service agreement with the Company for a term of three years commenced from 10 August 2016.

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 letters of appointment with the Company for an initial term of three years commencing from 19 January 2016 and 8 April 2016 respectively. The Company intends to enter into new letters of appointment with Mr. Zhao Boxiang.

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' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance to which the Company's subsidiaries, was a party and in which a Director of the Company and the Director's connected party 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 27, at no time during the year under review was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed 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 2016. 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 2016.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme 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 non-executive 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 in total by the grantee. 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 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 Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

Category and name of grantees	Date of grant	Exercise price (HK$)	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2016
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. 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
Mr. Wang Linsong	18.7.2014 (Note 1)	0.33	252,000	–	–	–	–	252,000
(appointed on 10.8.2016)	23.7.2015 (Note 2)	0.455	400,000	–	–	–	–	400,000
Mr. Zhang Xiang	18.7.2014 (Note 1)	0.33	972,000	–	–	–	(972,000)	–
(resigned on 10.8.2016)	23.7.2015 (Note 2)	0.455	1,152,000	–	–	–	(1,152,000)	–
Ms. Xie Haiyan	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	21,388,000	–	–	–	–	21,388,000
	23.7.2015 (Note 2)	0.455	34,756,000	–	–	–	(400,000)	34,356,000
			76,420,000	–	–	–	(2,524,000)	73,896,000

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/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2016, 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 Part XV 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. 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%
Mr. Wang Linsong	The Company	Beneficial owner	652,000 shares (Note 3)	0.05%

Notes:

1. As at 31 December 2016, 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 be interested in the 459,061,238 shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2016, the 5,640,660 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 5,640,660 shares held by Ms. Xie Haiyan.

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

Save as disclosed above, at no time during the year, the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its associated corporations required to be disclosed pursuant to section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.662), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, so far as known to the Directors and 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 (Note 4)	18.06%
Shenzhen Tiandi Win-Win Investment Management Co., Limited	The Company	Interest of controlled corporation	227,996,000 shares (Note 4)	18.06%
Tiandi Win-Win Investment Management Co., Limited	The Company	Beneficial owner	227,996,000 shares (Note 4)	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.

4. Tiandi Win-Win Investment Management Co., Limited is a wholly-owned subsidiary of Shenzhen Tiandi Win-Win Investment Management Co., Limited which is a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Ltd. Pursuant to the SFO, Shenzhen Tiandi Win-Win Investment Management Co., Limited and Tiandi Yihao Beverage Co., Ltd. are deemed to be interested in the 227,996,000 Shares held by Tiandi Win-Win Investment Management Co., Limited.

Save as disclosed above, as at 31 December 2016, 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 Part XV of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Group had the following continuing connected transactions.

A non-wholly owned subsidiary of the Company and Tiandi Yihao Beverage Co., Ltd. ("Tiandi Yihao Beverage") had entered into a framework agreement on 12 January 2016 (the "2016 Framework Agreement"). At the material time, Tiandi Yihao Beverage was an independent third party and not a connected person of the Company pursuant to the Listing Rules.

On 30 March 2016, Tiandi Win-Win Investment Management Co., Limited ("Hong Kong Tiandi"), an indirect wholly-owned subsidiary of Tiandi Yihao Beverage, became interested in 18.06% of the issued share capital of the Company. As such, Tiandi Yihao Beverage became a connected person of the Company since 30 March 2016. The sale of juice concentrate pursuant to the 2016 Framework Agreement thereafter constituted continuing connected transactions. The total transaction values of fruit juice concentrates purchased by Tiandi Yihao Beverage from the Group under the 2016 Framework Agreement were approximately RMB21,826,000 for the period from 30 March 2016 (being the date when the transactions became continuing connected transactions) to 31 December 2016. As a result of an inadvertent oversight on the part of the Company in noticing that Tiandi Yihao Beverage had become its new and substantial shareholder, the Company had failed to note that the transactions under the 2016 Framework Agreement had become connected transactions for the Company under Chapter 14A of the Listing Rules. Details of the above was disclosed in the Company's announcement dated 6 April 2017. Further, the Company has implemented measures to strengthen its internal control procedure with a view to ensuring timely compliance with the relevant requirements of the Listing Rules and to preventing a recurrence of similar event as set out in the announcement dated 6 April 2017.

The INEDs have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary course and usual course of business of the Group;

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

(3) in accordance with the relevant agreement governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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 2016.

STAFF AND REMUNERATION POLICIES

As at 31 December 2016, the Group had 2,093 (2015: 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 36.2% of the Group's total revenue and the largest customer accounted for approximately 14.1% of the Group's total revenue for the year 2016. The five largest suppliers in aggregate accounted for approximately 18.9% of the Group's total purchases and the largest supplier accounted for approximately 5.2% of the Group's total purchases for the year 2016.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors owns 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 2016 are set out in note 28 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 2016.

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 contained in Appendix 14 of the Listing Rules. The audit committee has reviewed and discussed the audited final results for the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2016.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 8 June 2017. The notice of the annual general meeting will be published and despatched to the shareholders of the Company together with this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 41 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the years ended 31 December 2013 and 2014 were audited by Messrs. Deloitte Touche Tohmatsu. The consolidated financial statements for the year ended 31 December 2015 were audited by Crowe Horwath (HK) CPA Limited.

Crowe Horwath (HK) CPA Limited was the auditor of the Company until its resignation with effect from 14 November 2016. RSM Hong Kong has been appointed as the auditor of the Company. A resolution will be proposed at the forthcoming annual general meeting to re-appoint RSM Hong Kong as auditor of the Company.

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

Xian, the PRC
29 March 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF
CHINA HAISHENG JUICE HOLDINGS CO., LTD.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 104, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that as of 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB522,597,000. As stated in Note 2, this condition indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to the key audit matter to be communicated in our report. The key audit matter we identified is the impairment assessment of property, plant and equipment and bearer plants.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and bearer plants Refer to notes 18 and 20 to the consolidated financial statements. As at 31 December 2016, included in the Group's consolidated statement of financial position were property, plant and equipment and bearer plants of approximately RMB2,115,312,000 and RMB604,631,000 respectively. Management has performed impairment assessment on these assets by estimating the value in use of the cash-generating units ("CGUs"), namely fruit juice operation and agriculture operation, to which these assets belong. The value in use calculations required significant management judgement in respect of estimated future cash flows expected to arise from the CGUs and other economic assumptions such as discount rates. Management concluded that the recoverable amounts of these assets were higher than their carrying amounts such that no impairment provision was required.	Our procedures in relation to management's impairment assessment included: – Assessing the integrity of the value in use models; – Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; – Checking input data to supporting evidence including approved budgets and considering the accuracy of management's past budgets; – Assessing the appropriateness of the discount rates adopted by management with the assistance of our internal valuation specialists; and – Performing sensitivity analysis to assess the impact of reasonably possible changes in key assumptions on the value in use calculations.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 29 July 2016.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Independent Auditor's Report

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Wai Kwun.

RSM Hong Kong
Certified Public Accountants
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Revenue	7	**1,127,434**	1,143,990
Cost of sales		**(886,627)**	(949,858)
Gross profit		**240,807**	194,132
Other income	8	**149,131**	143,981
Other gains and losses	9	**58,206**	43,133
Change in fair value due to biological transformation	22	**(13,840)**	173
Distribution and selling expenses		**(128,602)**	(132,158)
Administrative expenses		**(157,320)**	(122,652)
Other expenses		**(7,320)**	(12,118)
Profit from operations		**141,062**	114,491
Finance costs	11	**(91,644)**	(107,466)
Share of loss of an associate		**(1,535)**	–
Profit before tax		**47,883**	7,025
Income tax credit/(expense)	12	**25**	(1,317)
Profit for the year	13	**47,908**	5,708
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**394**	784
Other comprehensive income for the year, net of tax		**394**	784
Total comprehensive income for the year		**48,302**	6,492
Profit/(loss) for the year attributable to:			
Owners of the Company		**26,825**	(1,411)
Non-controlling interests		**21,083**	7,119
		47,908	5,708
Total comprehensive income for the year attributable to:			
Owners of the Company		**27,219**	(627)
Non-controlling interests		**21,083**	7,119
		48,302	6,492
Earnings/(loss) per share	17		
Basic (cents per share)		**2.12**	(0.11)
Diluted (cents per share)		**2.11**	(0.11)

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**2,115,312**	1,627,793
Prepaid land lease payments	19	**100,312**	109,798
Bearer plants	20	**604,631**	319,139
Investment in an associate	21	**8,465**	–
Prepayments for acquisition of bearer plants		**22,380**	49,672
Deposits for acquisition of property, plant and equipment		**21,596**	24,939
Total non-current assets		**2,872,696**	2,131,341
CURRENT ASSETS			
Prepaid land lease payments	19	**17,197**	2,526
Biological assets	22	**14,862**	6,542
Inventories	23	**1,079,545**	1,004,769
Trade and other receivables	24	**247,977**	276,009
Due from related companies	25	**164**	164
Current tax assets		**162**	–
Pledged bank deposits	26	**123,661**	24,001
Bank and cash balances	26	**180,941**	100,260
Total current assets		**1,664,509**	1,414,271
CURRENT LIABILITIES			
Trade and other payables	27	**824,011**	553,619
Bills payables		**210,323**	25,582
Current tax liabilities		**–**	2,452
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings	28	**1,079,115**	1,406,648
Finance lease payables	29	**72,565**	43,935
Deferred government grants	30	**1,029**	855
Total current liabilities		**2,187,106**	2,033,154
Net current liabilities		**(522,597)**	(618,883)
Total assets less current liabilities		**2,350,099**	1,512,458

Consolidated Statement of Financial Position

At 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Other liabilities	27	**9,985**	5,734
Bank and other borrowings	28	**810,617**	161,036
Finance lease payables	29	**163,909**	166,696
Deferred government grants	30	**129,175**	34,516
Deferred tax liabilities	31	**15,296**	13,523
Total non-current liabilities		**1,128,982**	381,505
NET ASSETS		**1,221,117**	1,130,953
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	32	**13,061**	13,061
Reserves	34	**999,198**	969,355
		1,012,259	982,416
Non-controlling interests		**208,858**	148,537
TOTAL EQUITY		**1,221,117**	1,130,953

Approved by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Gao Liang
Director

Zhao Chongjun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium (note 34) (b)(i)) RMB'000	Share option reserve (note 34(b) (iii)) RMB'000	Special reserve (note 34(b)(iv)) RMB'000	Translation reserve (note 34(b)(v)) RMB'000	Statutory surplus reserve (note 34(b)(vi)) RMB'000	Other reserve (note 34(b)(vii)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Total comprehensive income for the year	–	–	–	–	784	–	–	(1,411)	(627)	7,119	6,492
Shares issued under share option scheme (note 32(a))	22	887	(206)	–	–	–	–	–	703	–	703
Change in ownership interest in a subsidiary without loss of control	–	–	–	–	–	–	(9,113)	–	(9,113)	139,113	130,000
Share-based payments (note 35)	–	–	3,980	–	–	–	–	–	3,980	–	3,980
Lapse of share options	–	–	(39)	–	–	–	–	39	–	–	–
Appropriations from retained profits	–	–	–	–	–	11,239	–	(11,239)	–	–	–
Changes in equity for the year	22	887	3,735	–	784	11,239	(9,113)	(12,611)	(5,057)	146,232	141,175
At 31 December 2015 and 1 January 2016	13,061	203,214	5,862	258,722	(436)	183,931	(10,200)	328,262	982,416	148,537	1,130,953
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**394**	**–**	**–**	**26,825**	**27,219**	**21,083**	**48,302**
Change in ownership interest in subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**1,072**	**–**	**1,072**	**39,238**	**40,310**
Share-based payments (note 35)	**–**	**–**	**1,552**	**–**	**–**	**–**	**–**	**–**	**1,552**	**–**	**1,552**
Lapse of share options	**–**	**–**	**(254)**	**–**	**–**	**–**	**–**	**254**	**–**	**–**	**–**
Appropriations from retained profits	**–**	**–**	**–**	**–**	**–**	**7,825**	**–**	**(7,825)**	**–**	**–**	**–**
Changes in equity for the year	**–**	**–**	**1,298**	**–**	**394**	**7,825**	**1,072**	**19,254**	**29,843**	**60,321**	**90,164**
At 31 December 2016	**13,061**	**203,214**	**7,160**	**258,722**	**(42)**	**191,756**	**(9,128)**	**347,516**	**1,012,259**	**208,858**	**1,221,117**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**47,883**	7,025
Adjustments for:			
Depreciation of property, plant and equipment	13	**107,620**	98,075
Depreciation of bearer plants	20	**1,193**	416
Write off of property, plant and equipment	13	**1,574**	10,385
Change in fair value due to biological transformation	22	**13,840**	(173)
Finance costs	11	**91,644**	107,466
Interest income	8	**(779)**	(2,044)
Amortisation of deferred government grants	30	**(1,050)**	(364)
(Gain)/loss on disposals of property, plant and equipment	9	**(17,359)**	967
Gain on disposals of saplings	9	**(61,797)**	(54,536)
Allowance for inventories	13	**–**	21,699
Allowance for trade receivables	13	**2,051**	–
Equity-settled share-based payments	35	**1,552**	3,980
Amortisation of prepaid land lease payments	13	**4,579**	2,461
Share of loss of an associate		**1,535**	–
Net foreign exchange gains		**–**	(1,835)
Operating profit before working capital changes		**192,486**	193,522
(Increase)/decrease in inventories		**(74,776)**	52,500
Decrease in trade and other receivables		**37,367**	21,553
Increase in biological assets		**(22,160)**	(6,369)
Increase in trade and other payables		**225,932**	121,954
Increase/(decrease) in bills payables		**184,741**	(74,418)
Increase in other liabilities		**–**	5,734
Cash generated from operations		**543,590**	314,476
Income taxes paid		**(816)**	(275)
Net cash generated from operating activities		**542,774**	314,201
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(538,336)**	(261,878)
Purchases of bearer plants		**(252,769)**	(250,915)
Purchases of prepaid land lease payments		**(34,856)**	(35,108)
(Increase)/decrease in pledged bank deposits		**(99,660)**	17,424
Interest received		**779**	2,044
Government grants received for acquisition of non-current assets		**95,883**	35,735
Proceeds from disposals of property, plant and equipment		**30,432**	1,164
Proceeds from disposals of saplings		**83,507**	106,631
Capital contribution to an associate		**(10,000)**	–
Net cash used in investing activities		**(725,020)**	(384,903)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**2,486,344**	1,508,897
Repayment of bank and other borrowings	**(2,187,020)**	(1,714,077)
Proceeds from issue of shares	**–**	703
Repayment of finance lease payables	**(52,294)**	(46,522)
Capital contributions from non-controlling interests	**40,310**	130,000
Proceeds from finance leases, net of transaction costs	**82,450**	240,940
Security deposits placed	**(6,460)**	(20,000)
Finance lease charges paid	**(10,435)**	(3,936)
Interest paid on bank and other borrowings	**(90,359)**	(99,593)
Net cash generated from/(used in) financing activities	**262,536**	(3,588)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**80,290**	(74,290)
Effect of foreign exchange rate changes	**391**	860
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**100,260**	173,690
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**180,941**	100,260
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**180,941**	100,260

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

China Haisheng Juice Holdings Co., Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room B, 3rd Floor, Eton Building, 288 Des Voeux Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40(a) to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

The Group's principal operations are conducted in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

As at 31 December 2016 the Group had net current liabilities of RMB522,597,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

The Group continues to adopt the going concern basis in preparing its consolidated financial statements. The Group meets its day-to-day working capital requirements through its bank facilities. Most of the bank borrowings as at 31 December 2016 that are repayable within the next 12 months are subject to renewal and the directors are confident that these borrowings can be renewed upon expiration based on the Group's past experience and credit history.

The current economic conditions continue to create uncertainty particularly over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. In order to strengthen the Group's liquidity in the foreseeable future, the Group has taken the following measures:

(i) negotiating with banks in advance for renewal and obtaining new banking facilities;

(ii) the directors of the Company have been taking various cost control measures to tighten the costs of operations; and

(iii) the Group has been implementing various strategies to enhance the Group's revenue and profitability.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Further information on the Group's borrowings is given in note 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are first effective for annual periods beginning on or after 1 January 2016, of which the amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants" had been early adopted in the consolidated financial statements for the year ended 31 December 2015. Apart from the early adoption, none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(b) New and revised IFRSs in issue but not yet effective

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative	1 January 2017
Amendments to IAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from IAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

IFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in IAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in IAS 39 are carried forward largely unchanged.

IFRS 9 substantially overhauls the hedge accounting requirements in IAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in IFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantity the impact until a more detailed assessment is completed.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is currently assessing the impacts of adopting IFRS 15 on the consolidated financial statements but is unable to estimate the impact of the new standard on the consolidated financial statements until a detailed analysis is completed.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). IFRS 16 carries forward the accounting requirements for lessors in IAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The leases of the Group's warehouses, office premises and lands are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under IFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 37, the Group's future minimum lease payments under non-cancellable operating leases for its warehouses, office premises and lands amounted to RMB1,296,523,000 as at 31 December 2016. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in IFRS 16 and the effects of discounting.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the NCI having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Transactions and balances in each entity's financial statements

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the shorter of the term of the lease, and 20-40 years
Machinery	5.05%-16.66%
Cultivation equipment and facilities	3.2%-20%
Motor vehicles	10%-20%
Office equipment	10%-20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Bearer plants

Bearer plants consist of mature trees and infant trees in the Group's plantations in the PRC. 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.

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.

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 as follows:

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

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.

(f) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Biological assets

Biological assets comprise fresh fruit bunches 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 and changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

The infant trees and mature trees are presented and accounted for as bearer plants, see note 4(e). However, the fresh fruit bunches growing on the trees is accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches are transferred to inventories at fair value less costs to sell when harvested. 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.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank and cash balances are classified in this category.

(k) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair value and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(p) Trade and other payables

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

(q) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of manufactured goods and trading of raw materials is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in a defined contribution retirement scheme organised by 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.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

(u) 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 capitalised as part of 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.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

(v) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

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

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Taxation (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associate, 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated pro rata amongst the assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the continued support of the Group's bankers at a level sufficient to finance the working capital requirements of the Group. Details are explained in note 2 to the consolidated financial statements.

(b) Legal titles of certain buildings

As stated in note 18(b) to the consolidated financial statements, the titles of certain buildings of the Group were not obtained as at 31 December 2016. Despite the fact that the Group has not obtained the relevant legal titles, the directors determined to recognise those buildings as property, plant and equipment, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling those buildings.

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2016 was RMB2,115,312,000 (2015: RMB1,627,793,000).

(b) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives, residual values and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity, actual useful lives and residual values of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity, useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of bearer plants as at 31 December 2016 was RMB604,631,000 (2015: RMB319,139,000).

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of RMB25,000 (2015: RMB1,317,000) was credited (2015: charged) to profit or loss based on the estimated profit.

(d) Impairment of property, plant and equipment and bearer plants

Determining whether property, plant and equipment and bear plants are impaired requires an estimation of the value in use of respective cash-generating units to which those property, plant and equipment and bearer plants belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and suitable discount rates in order to calculate the present value. The value in use of respective cash-generating units were higher than the carrying amounts of property, plant and equipment and bearer plants of RMB2,115,312,000 and RMB604,631,000 respectively at the end of the reporting period and no impairment provision was required.

(e) Impairment loss for bad and doubtful debts

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts, in particular of a loss event, requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 December 2016, accumulated impairment loss for bad and doubtful debts amounted to RMB7,158,000 (2015: RMB5,107,000).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 December 2016 (2015: RMB21,699,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB and United States dollars ("USD"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

A subsidiary of the Company has foreign currency sales and purchases transactions and bank borrowings, which expose the Group to foreign currency risk. Approximately 33% (2015: 29%) of the Group's sales by that subsidiary are denominated in foreign currency, USD.

The carrying amounts of that subsidiary's USD denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2016 **RMB'000**	2015 RMB'000
Assets		
Trade and other receivables	**9,442**	29,243
Bank and cash balances	**27,507**	4,752
	36,949	33,995
Liabilities		
Trade and other payables	**(16,896)**	(29,578)
Bank and other borrowings	**(255,161)**	(295,538)
	(272,057)	(325,116)
Net exposure	**(235,108)**	(291,121)

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

The following table details the Group's sensitivity to a 5% (2015: 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 rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2015: 5%) against USD and vice versa.

	2016 **RMB'000**	2015 RMB'000
Profit for the year	**11,755**	14,556

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on trade receivables with exposure limited to certain counterparties and customers. The Group's concentration of credit risk by geographical locations is mainly in North America (United States of America and Canada), which accounted for 44% (2015: 58%) of the total trade receivables as at 31 December 2016. Apart from delegating a team for determining the credit limits, credit approvals 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.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) 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 ensures compliance with loan covenants. Adequate lines of credit are maintained to ensure necessary liquidity is available when required. With reference to the existing unutilised 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

Specifically, bank and other 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. The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average interest rate %	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2016						
Trade and other payables	**N/A**	**804,301**	**–**	**–**	**804,301**	**804,301**
Bills payables	**N/A**	**210,323**	**–**	**–**	**210,323**	**210,323**
Dividend payable to non-controlling shareholders of a subsidiary	**N/A**	**63**	**–**	**–**	**63**	**63**
Bank and other borrowings						
– fixed-rate	**4.88**	**919,015**	**275,751**	**200,991**	**1,395,757**	**1,301,983**
– variable-rate	**5.11**	**229,276**	**279,359**	**132,400**	**641,035**	**587,749**
Finance lease obligations	**5.14**	**85,962**	**86,542**	**95,414**	**267,918**	**236,474**
		2,248,940	**641,652**	**428,805**	**3,319,397**	**3,140,893**
At 31 December 2015						
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
Finance lease obligations	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

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.

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and finance lease payables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings, finance lease payables and bank balances carried at prevailing interest rates. 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk (Continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other borrowings and finance lease payables 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 points 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.

At 31 December 2016, if interest rates had been 50 basis points higher/lower with all other variables held constant, consolidated profit after tax for the year would have been RMB2,870,000 (2015: RMB4,341,000) lower/higher, arising mainly as a result of higher/lower interest expense on bank and other borrowings and finance lease payables.

(e) Biological assets

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

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of various type of fruits. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs 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 are consistent with the expected demand.

(iii) Climate and other risks

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

The fruit plantation business requires a high level of cash flow before fruit can be harvested and sold. The Group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December 2016

	2016 RMB'000	2015 RMB'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)	**444,218**	285,160
Financial liabilities:		
Financial liabilities at amortised cost	**2,904,419**	2,137,919

(g) Fair values

Except as disclosed in note 28 to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(h) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

	Gross amounts of recognised financial liabilities RMB'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000
As at 31 December 2016			
Finance lease payables	**262,934**	**(26,460)**	**236,474**
As at 31 December 2015			
Finance lease payables	230,631	(20,000)	210,631

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

7. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 RMB'000	2015 RMB'000
Sales of fruit juice concentrate and related products	**1,077,676**	1,095,610
Sales of apples and other fruits	**49,758**	48,380
	1,127,434	1,143,990

8. OTHER INCOME

	2016 RMB'000	2015 RMB'000
Interest income on bank deposits	**779**	2,044
Total interest income for financial assets that are not at fair value through profit or loss	**779**	2,044
PRC government grants (note)	**142,720**	138,813
Amortisation of deferred government grants (note 30)	**1,050**	364
Others	**4,582**	2,760
	149,131	143,981

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 relevant PRC government authorities.

9. OTHER GAINS AND LOSSES

	2016 RMB'000	2015 RMB'000
Gain on disposals of saplings	**61,797**	54,536
Net foreign exchange losses	**(21,730)**	(10,643)
Gain/(loss) on disposals of property, plant and equipment	**17,359**	(967)
Other gain	**780**	207
	58,206	43,133

10. SEGMENT INFORMATION

The Group has two operating segments 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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include other income, share of loss of an associate, unallocated other gains and losses, administrative expenses finance costs and income tax expense.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

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10. SEGMENT INFORMATION (Continued)

Information about operating segment profit or loss:

	Fruit juice operation		Agriculture operation		Total	
	2016	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Revenue from external customers	**1,077,676**	1,095,610	**49,758**	48,380	**1,127,434**	1,143,990
Intersegment revenue	**594**	3,491	**4,616**	2,540	**5,210**	6,031
Reportable segment revenue	**1,078,270**	1,099,101	**54,374**	50,920	**1,132,644**	1,150,021
Less: intersegment revenue					**(5,210)**	(6,031)
Consolidated revenue					**1,127,434**	1,143,990
Segment results	**71,215**	120	**(36,553)**	13,666	**34,662**	13,786
Other income					**149,131**	143,981
Share of loss of an associate					**(1,535)**	–
Unallocated amounts:						
Other gains and losses					**(1,709)**	216
Administrative expenses					**(41,022)**	(43,492)
Finance costs					**(91,644)**	(107,466)
Consolidated profit before tax					**47,883**	7,025
Depreciation of property, plant and equipment	**96,416**	97,643	**5,620**	432	**102,036**	98,075
Depreciation of bearer plants	**–**	–	**1,193**	416	**1,193**	416
(Gain)/loss on disposals of property, plant and equipment	**(17,377)**	879	**18**	88	**(17,359)**	967
Amortisation of prepaid land lease payments	**2,040**	2,399	**2,539**	62	**4,579**	2,461
Change in fair value due to biological transformation	**–**	–	**13,840**	(173)	**13,840**	(173)
Gain on disposals of saplings	**–**	–	**(61,797)**	(54,536)	**(61,797)**	(54,536)
Allowance for inventories	**–**	21,699	**–**	–	**–**	21,699
Allowance for trade receivables	**–**	–	**2,051**	–	**2,051**	–
Write off of property, plant and equipment	**1,109**	10,385	**465**	–	**1,574**	10,385

Information of assets and liabilities for operating segments are not provided to the Company's directors, being the chief operating decision maker, for their review. Therefore, no analysis of the Group's assets and liabilities by operating segments are presented.

10. SEGMENT INFORMATION (Continued)

Geographical information:

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

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

	Revenue		Non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States of America (the "USA")	**403,658**	551,073	**36**	56
Canada	**94,594**	68,458	**–**	–
PRC	**251,722**	188,322	**2,872,660**	2,131,285
South Africa	**159,276**	122,850	**–**	–
Saudi Arabia	**28,084**	23,723	**–**	–
Japan	**93,102**	116,302	**–**	–
Australia	**23,018**	21,031	**–**	–
Russia	**39,161**	16,618	**–**	–
Others	**34,819**	35,613	**–**	–
	1,127,434	1,143,990	**2,872,696**	2,131,341

Revenue from major customer:

	2016	2015
	RMB'000	RMB'000
Fruit juice operation segment		
Customer A (note)	**159,276**	N/A

Note: Customer A did not contribute 10% or more than 10% of the total revenue of the Group during the year ended 31 December 2015.

Information about major products:

	2016	2015
	RMB'000	RMB'000
Apple juice	**824,851**	874,987
Other juice	**210,314**	198,120
Fresh fruits	**49,758**	48,380
Others	**42,511**	22,503
	1,127,434	1,143,990

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11. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Finance lease charges	**13,185**	6,571
Interest on bank and other borrowings	**86,953**	100,895
Total borrowing costs	**100,138**	107,466
Amount capitalised	**(8,494)**	–
	91,644	107,466

12. INCOME TAX (CREDIT)/EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax		
PRC Enterprise Income tax ("EIT")	**203**	392
Other jurisdiction	**271**	8
Overprovision in prior years	**(2,272)**	–
	(1,798)	400
Deferred tax (note 31)	**1,773**	917
	(25)	1,317

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 2015 and 2016. The PRC subsidiary needs 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 2015 and 2016, 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 2015 and 2016, 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%.

12. INCOME TAX (CREDIT)/EXPENSE (Continued)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the PRC EIT rate is as follows:

	2016 RMB'000	2015 RMB'000
Profit before tax	**47,883**	7,025
Tax at the PRC EIT rate of 25% (2015: 25%)	**11,971**	1,756
Tax effect of income that is not taxable	**(26,162)**	(6,948)
Tax effect of expenses that are not deductible	**24,358**	13,601
Tax effect of tax losses not recognised	**24,438**	18,578
Tax effect of share of loss of an associate	**384**	–
Tax effect of utilisation of tax losses not previously recognised	**(6,757)**	(5,831)
Tax exemption and tax concession	**(27,544)**	(19,927)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(214)**	88
Overprovision in prior years	**(2,272)**	–
Withholding tax	**1,773**	–
Income tax (credit)/expense	**(25)**	1,317

13. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2016 RMB'000	2015 RMB'000
Auditors' remuneration	**2,500**	2,600
Amortisation of prepaid land lease payments	**29,671**	18,114
Less: amount capitalised into cost of bearer plants/biological assets	**(25,092)**	(15,653)
	4,579	2,461
Depreciation of property, plant and equipment		
– owned assets	**83,122**	76,994
– assets under finance lease	**30,181**	25,365
	113,303	102,359
Less: amount capitalised into cost of bearer plants	**(5,683)**	(4,284)
	107,620	98,075
Operating lease charges for land and buildings	**3,903**	2,057
Depreciation of bearer plants	**1,193**	416
Allowance for inventories (included in cost of inventories sold)	**–**	21,699
Allowance for trade receivables (included in other expenses)	**2,051**	–
Cost of inventories sold	**886,627**	949,858
(Gain)/loss on disposals of property, plant and equipment	**(17,359)**	967
Write off of property, plant and equipment	**1,574**	10,385

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14. EMPLOYEE BENEFITS EXPENSE

	2016 RMB'000	2015 RMB'000
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**171,460**	107,394
Equity-settled share-based payments	**1,416**	3,349
Retirement benefit scheme contributions	**11,316**	15,292
Total staff costs	**184,192**	126,035
Less: staff costs capitalised into inventories	**(39,480)**	(60,328)
Less: staff costs capitalised into cost of bearer plants	**(42,343)**	(15,558)
	102,369	50,149

The five highest paid individuals in the Group during the year included three (2015: four) directors whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining two (2015: one) individual(s) are set out below:

	2016 RMB'000	2015 RMB'000
Salaries, bonuses and allowances	**1,000**	456
Equity-settled share-based payments	**90**	111
Retirement benefit scheme contributions	**68**	56
	1,158	623

The emoluments fell within the band of Nil to HK$1,000,000.

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director are set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking											
	Fees		Salaries		Discretionary bonus		Employer's contribution to a retirement benefit scheme		Equity-settled share-based payments		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Executive directors												
Mr. Gao Liang ("Mr. Gao")	**–**	–	**909**	889	**220**	220	**34**	58	**–**	298	**1,163**	1,465
Mr. Zhang Xiang (note (i))	**–**	–	**284**	446	**110**	110	**20**	58	**45**	111	**459**	725
Mr. Ding Li	**–**	–	**399**	342	**84**	84	**34**	58	**45**	111	**562**	595
Mr. Zhao Chongjun	**–**	–	**399**	342	**84**	84	**34**	58	**45**	111	**562**	595
Mr. Wang Linsong (note (ii))	**–**	–	**138**	–	**–**	–	**14**	–	**–**	–	**152**	–
	–	–	**2,129**	2,019	**498**	498	**136**	232	**135**	631	**2,898**	3,380
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
	180	180	**–**	–	**–**	–	**–**	–	**–**	–	**180**	180
	180	180	**2,129**	2,019	**498**	498	**136**	232	**135**	631	**3,078**	3,560

Notes:

(i) Resigned on 10 August 2016.

(ii) Appointed on 10 August 2016.

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Mr. Gao 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 35 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' emoluments disclosures.

Neither the chief executive nor any of the directors waived any emoluments during the year (2015: Nil).

(b) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

17. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2016 **RMB'000**	2015 RMB'000
Earnings/(loss)		
Earnings/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	**26,825**	(1,411)

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**1,262,648,000**	1,261,351,540
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**6,560,922**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,269,208,922**	1,261,351,540

The effect of potential ordinary shares of the Company's share options for the year ended 31 December 2015 would be anti-dilutive. Diluted loss per share was the same as the basic loss per share for 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 2015	860,754	1,137,343	36,452	12,954	36,136	33,014	2,116,653
Additions	3,497	8,932	71,098	6,028	763	217,179	307,497
Transfer	9,620	39,940	24,630	–	121	(74,311)	–
Disposals	(59)	(45,359)	(346)	(3,433)	(2,527)	–	(51,724)
Write off (note (a))	–	(18,566)	–	–	–	–	(18,566)
Exchange differences	–	–	–	–	29	–	29
At 31 December 2015 and 1 January 2016	873,812	1,122,290	131,834	15,549	34,522	175,882	2,353,889
Additions	14,157	13,953	78,930	8,095	4,154	496,177	615,466
Transfer	210,213	51,746	163,020	63	265	(425,307)	–
Disposals	(339)	(66,602)	(2,042)	(1,045)	(129)	–	(70,157)
Write off	(593)	(1,132)	(477)	(303)	(284)	–	(2,789)
Exchange differences	–	–	–	–	32	–	32
At 31 December 2016	1,097,250	1,120,255	371,265	22,359	38,560	246,752	2,896,441
Accumulated depreciation and impairment							
At 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
Disposals	(1)	(44,291)	(23)	(3,154)	(2,124)	–	(49,593)
Write off (note (a))	–	(8,181)	–	–	–	–	(8,181)
Exchange differences	–	–	–	–	27	–	27
At 31 December 2015 and 1 January 2016	155,005	550,126	4,888	2,937	13,140	–	726,096
Charge for the year	24,055	75,289	8,551	1,768	3,640	–	113,303
Disposals	–	(56,178)	(31)	(746)	(129)	–	(57,084)
Write off	(100)	(743)	(22)	(215)	(135)	–	(1,215)
Exchange differences	–	–	–	–	29	–	29
At 31 December 2016	178,960	568,494	13,386	3,744	16,545	–	781,129
Carrying amount							
At 31 December 2016	918,290	551,761	357,879	18,615	22,015	246,752	2,115,312
At 31 December 2015	718,807	572,164	126,946	12,612	21,382	175,882	1,627,793

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) As part of the Groups business strategies, after the completion of pectin production lines, the factory located at Dangshan County, the PRC was more focused on production of new products. The directors considered that certain machinery previously used in production of apple juice concentrate became obsolete. Therefore, these machinery with carrying amount of RMB10,385,000 were written off during the year ended 31 December 2015.

(b) As at 31 December 2016, 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 2016, carrying value of such buildings of the Group amounted to RMB125,810,000 (2015: RMB128,967,000). 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. Subsequent to the end of the reporting period, the Group obtained the property title certificates of all these buildings.

(c) At 31 December 2016 the carrying amount of buildings and machinery pledged as security for the Group's bank borrowings and finance lease payables amounted to RMB414,830,000 (2015: RMB350,607,000) and RMB288,062,000 (2015: HK$208,786,000) respectively.

(d) At 31 December 2016 the carrying amount of buildings and machinery held by the Group under finance leases amounted to RMB101,950,000 (2015: RMB110,885,000) and RMB280,091,000 (2015: RMB208,786,000) respectively.

19. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments located in the PRC and their net book value are analysed as follows:

	2016 **RMB'000**	2015 RMB'000
Current assets	**17,197**	2,526
Non-current assets	**100,312**	109,798
	117,509	112,324
Analysed as:		
Prepaid land lease payments for		
– bearer plants	**23,524**	20,616
– manufacturing plants and offices	**93,985**	91,708
	117,509	112,324

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

At 31 December 2016 the carrying amount of prepaid land lease payments pledged as security for the Group's bank borrowings amounted to RMB36,869,000 (2015: RMB27,693,000).

20. BEARER PLANTS

	Apple RMB'000	Rootstock RMB'000	Mulberry RMB'000	Blueberry RMB'000	Cherry RMB'000	Kiwi RMB'000	Tangerine RMB'000	Pear RMB'000	Others RMB'000	Total RMB'000
Infant trees										
Cost										
At 1 January 2015	91,971	4,597	–	–	–	7,643	–	–	–	104,211
Additions	230,646	7,280	–	2,397	209	4,078	–	–	1,137	245,747
Transfer to mature trees	(5,782)	(2,659)	–	–	–	–	–	–	–	(8,441)
Disposals	(31,011)	–	–	–	–	(2,778)	–	–	–	(33,789)
At 31 December 2015 and 1 January 2016	285,824	9,218	–	2,397	209	8,943	–	–	1,137	307,728
Additions	271,580	5,101	–	2,444	553	5,369	25,543	8,370	864	319,824
Transfer to mature trees	(20,872)	–	–	–	–	–	–	–	–	(20,872)
Disposals	(32,002)	(474)	–	–	–	(15)	–	–	(648)	(33,139)
A t 31 December 2016	504,530	13,845	–	4,841	762	14,297	25,543	8,370	1,353	573,541
Carrying amount										
At 31 December 2016	504,530	13,845	–	4,841	762	14,297	25,543	8,370	1,353	573,541
At 31 December 2015	285,824	9,218	–	2,397	209	8,943	–	–	1,137	307,728
Mature trees										
Cost										
At 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 and 1 January 2016	5,782	2,659	528	151	3,193	–	–	–	–	12,313
Additions	20,872	–	–	–	–	–	–	–	–	20,872
At 31 December 2016	26,654	2,659	528	151	3,193	–	–	–	–	33,185
Accumulated depreciation										
At 1 January 2015	–	–	21	21	444	–	–	–	–	486
Charge for the year	96	132	8	8	172	–	–	–	–	416
At 31 December 2015 and 1 January 2016	96	132	29	29	616	–	–	–	–	902
Charge for the year	869	131	13	8	172	–	–	–	–	1,193
At 31 December 2016	965	263	42	37	788	–	–	–	–	2,095
Carrying amount										
At 31 December 2016	25,689	2,396	486	114	2,405	–	–	–	–	31,090
At 31 December 2015	5,686	2,527	499	122	2,577	–	–	–	–	11,411
Total carrying amount										
At 31 December 2016	530,219	16,241	486	4,955	3,167	14,297	25,543	8,370	1,353	604,631
At 31 December 2015	291,510	11,745	499	2,519	2,786	8,943	–	–	1,137	319,139

20. BEARER PLANTS (Continued)

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

	2016	2015
Infant trees	**12,798,025**	6,050,322
Mature trees	**334,128**	165,119

21. INVESTMENT IN AN ASSOCIATE

	2016 **RMB'000**	2015 RMB'000
Unlisted investment:		
Share of net assets	**8,465**	–

Details of the Group's associate at 31 December 2016 are as follows:

Name	**Place of incorporation/ registration**	**Particular of issued share capital**	**Percentage of ownership interest/voting power/ profit sharing**	**Principal activities**
安徽迪斯特海升酒業有限責任公司（"迪斯特海升"）	PRC	Registered capital of RMB100,000,000/ paid up capital of RMB20,200,000	49%	Manufacture and sales of alcoholic drinks

21. INVESTMENT IN AN ASSOCIATE (Continued)

The following table shows information on the associate that is material to the Group. The associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

Name	迪斯特海升
Principal place of business/country of incorporation	**PRC/PRC**
Principal activities	**Manufacture and sales of alcoholic drinks**
% of ownership interests/voting rights held by the Group	**49%/49%**
	RMB'000
At 31 December:	
Non-current assets	**2,638**
Current assets	**18,862**
Current liabilities	**(4,225)**
Net assets	**17,275**
Group's share of carrying amount of interests	**8,465**
Year ended 31 December:	
Revenue	**5**
Loss for the year	**(2,925)**
Total comprehensive income for the year	**(2,925)**

As at 31 December 2016, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to RMB18,671,000. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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22. BIOLOGICAL ASSETS

Movements 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
Change in fair value due to biological transformation (note (a))	4,295	(67)	(4,055)	173
Transfer of harvested fresh fruit bunches to inventories	(5,610)	(3,445)	(2,489)	(11,544)
At 31 December 2015 and 1 January 2016 (note (b))	2,349	1,649	2,544	6,542
Increase due to cultivation	11,613	6,244	34,081	51,938
Change in fair value due to biological transformation (note (a))	(4,865)	(198)	(8,777)	(13,840)
Transfer of harvested fresh fruit bunches to inventories	(6,168)	(7,143)	(16,467)	(29,778)
At 31 December 2016 (note (b))	2,929	552	11,381	14,862

Notes:

(a) During the year, the Group harvested 13,914 (2015: 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 as 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 and 2016.

The carrying value of biological assets as at 31 December 2015 and 31 December 2016 represented cultivation costs incurred including fertilisers, pesticides, labour costs and rentals of farmland.

23. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials and consumables	62,168	61,056
Work in progress	206,368	187,739
Finished goods	811,009	755,974
	1,079,545	1,004,769

The carrying amount of inventories pledged as security for banking facilities granted to the Group amounted to RMB494,365,000 (2015: RMB364,142,000).

24. TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	98,298	125,969
Less: allowance for doubtful debts	(7,158)	(5,107)
	91,140	120,862
Value added tax recoverable and other tax recoverable (note (a))	57,546	68,468
Government grant receivable (note (b))	–	8,000
Receivables from disposals of saplings	32,179	20,793
Advances to suppliers	10,577	10,206
Other receivables, deposits and prepayments	56,535	47,680
	247,977	276,009

Notes:

(a) As at 31 December 2016, certain value added tax recoverable of RMB8,092,000 (2015: RMB33,387,000) were pledged as securities for finance lease payables as detailed in note 29.

(b) 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 an amount of RMB9,016,000 was received in 2015. The remaining balance of RMB8,000,000 was received by the Group on 14 January 2016.

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

24. TRADE AND OTHER RECEIVABLES (Continued)

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2016 **RMB'000**	2015 RMB'000
0 to 90 days	**88,090**	107,332
91 to 180 days	**2,383**	9,589
181 to 365 days	**392**	653
Over 1 year	**275**	3,288
	91,140	120,862

As at 31 December 2016, trade receivables of approximately RMB39,986,000 (2015: RMBNil) were pledged to a bank to secure bank borrowings as set out in note 28 to the consolidated financial statements.

As at 31 December 2016, an allowance was made for estimated irrecoverable trade receivables of approximately RMB7,158,000 (2015: RMB5,107,000).

Reconciliation of allowance for trade receivables:

	2016 **RMB'000**	2015 RMB'000
At 1 January	**5,107**	5,107
Allowance for the year	**2,051**	–
At 31 December	**7,158**	5,107

As of 31 December 2016, trade receivables of RMB19,272,000 (2015: RMB15,468,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 **RMB'000**	2015 RMB'000
Overdue by:		
Up to 3 months	**18,708**	11,045
3 to 6 months	**310**	3,516
6 months to 1 year	**88**	244
Over 1 year	**166**	663
	19,272	15,468

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. TRADE AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
USD	**49,428**	29,243
RMB	**41,712**	91,619
Total	**91,140**	120,862

25. DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies are beneficially owned and controlled by a director of the Company, who is also a shareholder of the Company, as set out in note 39(a) to the consolidated financial statements.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2016, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to RMB116,958,000 (2015: RMB24,001,000) and RMB151,840,000 (2015: RMB86,665,000) respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 December 2016, the pledged bank deposits of RMB123,661,000 (2015: RMB24,001,000) carried prevailing interest rate of 0.35% (2015: 0.30%) per annum and bank balances of RMB180,470,000 (2015: RMB99,942,000) carried prevailing interest rate of 0.35% (2015: 0.30%) per annum.

The pledged bank deposits of RMB116,955,000 (2015: RMB24,001,000) are used to secure the bills payables which is payable within 3 to 6 months. Accordingly, the pledged bank deposits are classified as current assets.

27. TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**552,418**	364,835
Payables for acquisition of property, plant and equipment	**169,170**	99,183
Advances from customers	**14,386**	3,795
Accrued salaries	**15,594**	11,275
Accrued interest	**4,534**	30,061
Value added tax and other tax payables	**4,431**	5,234
Other liabilities	**9,985**	5,734
Other payables and accruals	**63,478**	39,236
	833,996	559,353
Less: other liabilities-non-current portion	**(9,985)**	(5,734)
	824,011	553,619

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

27. TRADE AND OTHER PAYABLES (Continued)

The Group is allowed a credit period ranged from 90 to 180 days from its suppliers. The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2016 RMB'000	2015 RMB'000
0 to 90 days	**489,580**	330,329
91 to 180 days	**17,747**	16,988
181 to 365 days	**30,156**	11,456
Over 1 year	**14,935**	6,062
	552,418	364,835

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000
USD	**17,853**	28,215
RMB	**534,565**	336,620
Total	**552,418**	364,835

28. BANK AND OTHER BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank loans	**1,514,892**	1,116,389
Corporate bond (note (a))	**–**	450,000
Other borrowings (note (b))	**373,545**	–
Loan from government (note (c))	**1,295**	1,295
	1,889,732	1,567,684
Analysed as:		
Secured	**918,858**	564,171
Unsecured	**69,348**	500,646
Guaranteed	**901,526**	502,867
	1,889,732	1,567,684
Analysed as:		
Fixed-rate borrowings	**1,301,983**	640,651
Variable-rate borrowings	**587,749**	927,033
	1,889,732	1,567,684

28. BANK AND OTHER BORROWINGS (Continued)

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) Other borrowings were from local rural cooperatives and investment entities controlled by the PRC government. These borrowings were unsecured and borne interest ranging from 2.38% to 10.00% per annum.

(c) The loan from government was unsecured and the interest rate was based on The People's Bank of China Base Lending Rate ("PBCBLR") plus 0.3% per annum and the interest was paid annually.

The borrowings are repayable as follows:

	2016	2015
	RMB'000	RMB'000
On demand or within one year	**1,079,115**	1,406,648
More than one year, but not exceeding two years	**510,400**	160,259
More than two years, but not more than five years	**300,217**	777
	1,889,732	1,567,684
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,079,115)**	(1,406,648)
Amount due for settlement after 12 months	**810,617**	161,036

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	RMB	**USD**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
2016			
Bank loans	**1,227,127**	**287,765**	**1,514,892**
Other borrowings	**373,545**	**–**	**373,545**
Loan from government	**1,295**	**–**	**1,295**
	1,601,967	**287,765**	**1,889,732**
2015			
Bank loans	771,500	344,889	1,116,389
Corporate bond	450,000	–	450,000
Loan from government	1,295	–	1,295
	1,222,795	344,889	1,567,684

28. BANK AND OTHER BORROWINGS (Continued)

The interest rates at 31 December were as follows:

	2016	2015
Fixed-rate borrowings	**2.38% to 10.00%**	2.95% to 6.86%
Variable-rate borrowings	**2.72% to 6.44%**	2.20% to 7.20%

The interest rate for the variable-rate borrowings is based on London Interbank Offered Rate/PBCBLR plus a margin for both years.

Bank and other borrowings of RMB1,301,983,000 (2015: RMB640,651,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors consider that the bank and other borrowings in the consolidated financial statements are carried at amounts not materially different from their fair value as at 31 December 2016 and 2015, except for the below borrowings. The fair values of the below borrowings are estimated by discounting future cash flows using current market interest rates ranging from 4.99% to 10.00% (2015: 4.75%) offered to the Group for debt with substantially the same characteristics and maturities, and are categorised as a level 3 measurement of the fair value hierarchy (i.e. fair value measurement using unobservable inputs). The following table presents the carrying amount and fair value of the Group's bank and other borrowings at 31 December 2016 and 2015:

	2016		2015	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Bank and other borrowings	**598,519**	**602,887**	161,036	162,607

At 31 December 2016, the bank loans were secured by:

(i) charge over the Group's property, plant and equipment with a carrying amount of RMB702,892,000 (2015: RMB350,607,000);

(ii) charge over the Group's prepaid land lease payments with a carrying amount of RMB36,869,000 (2015: RMB27,693,000);

(iii) charge over the Group's inventories with a carrying amount of RMB494,365,000 (2015: RMB364,142,000);

(iv) charge over the Group's bank deposits of RMB123,661,000 (2015: RMB24,001,000);

(v) charge over the Group's trade receivables with a carrying amount of RMB39,986,000 (2015: RMBNil).

(vi) personal guarantee executed by Mr. Gao, a director and major shareholder of the Company; and

(vii) corporate guarantees executed by the Company and certain subsidiaries.

29. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**85,962**	55,161	**72,565**	43,935
In the second to fifth years, inclusive	**208,416**	210,192	**190,369**	186,696
	294,378	265,353	**262,934**	230,631
Less: Future finance charges	**(31,444)**	(34,722)	**N/A**	N/A
Present value of lease obligations	**262,934**	230,631	**262,934**	230,631
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(72,565)**	(43,935)
Less: Security deposits			**(26,460)**	(20,000)
Amount due for settlement after 12 months			**163,909**	166,696

On 20 August 2015, a subsidiary of the Group entered into a finance lease agreement with an independent 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. 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 collateralised borrowings of the Group.

On 10 August 2016, a subsidiary of the Group entered into another finance lease agreement with an independent financing company under which the Group sold certain buildings and machinery with a carrying amount of RMB105,264,000 and leased back the buildings and machinery with a lease period of 3 years. The lease rentals are payable by installments with interest charged at fixed rate determined at the contract date. 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 collateralised borrowings of the Group.

29. FINANCE LEASE PAYABLES (Continued)

It is the Group's policy to sale and lease back certain of its buildings and machinery under finance leases. The average lease term is 4 years. At 31 December 2016, the average effective borrowing rate was 5.14% (2015: 4.99%). Finance lease payables of RMB76,238,000 bear interest at fixed rate and thus expose the Group to fair value interest rate risk. Other finance lease payables bear interest at variable rates that vary with the then prevailing market condition and thus expose the Group to cash flow interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the buildings and machinery at nominal prices.

All finance lease payables are denominated in RMB.

The Group's obligations under finance leases are secured by certain of the Group's buildings, machinery and value added tax recoverable of RMB101,950,000 (2015: RMB110,885,000), RMB280,091,000 (2015: RMB208,786,000) and RMB8,092,000 (2015: RMB33,387,000) respectively, corporate guarantee executed by the Company and personal guarantee executed by Mr. Gao, a director and major shareholder of the Company.

30. DEFERRED GOVERNMENT GRANTS

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

	2016 RMB'000	2015 RMB'000
At 1 January	**35,371**	–
Received during the year	**95,883**	35,735
Credit to profit or loss for the year (note 8)	**(1,050)**	(364)
At 31 December	**130,204**	35,371
Analysed as:		
Current liabilities	**1,029**	855
Non-current liabilities	**129,175**	34,516
	130,204	35,371

During the year ended 31 December 2016, the Group received grants and benefits of interest-free loans from government or government controlled entities for the construction of environmental friendly greenhouse projects, cultivation facilities and machinery of RMB19,231,000 (2015: RMB20,000,000), RMB66,427,000 (2015: RMB15,735,000) and RMB10,225,000 (2015: RMBNil) respectively. There is no unfulfilled condition relating to those grants and such grants are deferred and released to profit or loss in accordance with the useful lives of the related assets.

31. DEFERRED TAX

	Fair value adjustment at acquisition RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2015	1,230	11,376	12,606
(Credit)/charge to profit or loss for the year (note 12)	(1,230)	2,147	917
At 31 December 2015 and l January 2016	–	13,523	13,523
Charge to profit or loss for the year (note 12)	–	1,773	1,773
At 31 December 2016	–	15,296	15,296

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 profits 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 RMB15,296,000 (2015: RMB13,523,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is RMB354,974,000 (2015: RMB327,620,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the end of the reporting period the Group has unused tax losses of RMB182,853,000 (2015: RMB556,502,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2021 (2015: 2020).

Notes to the Consolidated Financial Statements

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32. SHARE CAPITAL

	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2015	1,260,000,000	12,600,000
Shares issued under share option scheme (note (a))	2,648,000	26,480
At 31 December 2015, 1 January 2016 and 31 December 2016	1,262,648,000	12,626,480

	2016 RMB'000	2015 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,061**	13,061

Note:

(a) 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. An amount of RMB206,000 was transferred from the share option reserve to the share premium account in accordance with policy set out in note 4(t).

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.

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.

32. SHARE CAPITAL (Continued)

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank and other borrowings, bills payables and finance lease payables less pledged bank deposits and bank and cash balances 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:

	2016 RMB'000	2015 RMB'000
Bank and other borrowings	**1,889,732**	1,567,684
Bills payables	**210,323**	25,582
Finance lease payables	**236,474**	210,631
	2,336,529	1,803,897
Less: Pledged bank deposits	**(123,661)**	(24,001)
Bank and cash balances	**(180,941)**	(100,260)
Net debt	**2,031,927**	1,679,636
Total equity	**1,221,117**	1,130,953
Gearing ratio	**166.4%**	148.5%

The increase in the gearing ratio during 2016 resulted primarily from increase of bank and other borrowings and bills payables.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2015 and 2016.

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

(a) Statement of financial position of the Company

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investments in subsidiaries		**678,064**	629,164
Current assets			
Due from subsidiaries		**18,838**	18,307
Bank balances		**1,077**	6,444
Dividend receivable		**8,034**	7,524
		27,949	32,275
Current liabilities			
Other payables		**2,846**	4,091
Financial guarantees		**48,900**	–
		51,746	4,091
Net current (liabilities)/assets		**(23,797)**	28,184
NET ASSETS		**654,267**	657,348
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	32	**13,061**	13,061
Reserves	33(b)	**641,206**	644,287
TOTAL EQUITY		**654,267**	657,348

Approved by the board of directors on 29 March 2017 and is signed on its behalf by:

Gao Liang
Director

Zhao Chongjun
Director

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

(b) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2015	202,327	431,247	2,127	11,372	647,073
Total comprehensive income for the year	–	–	–	(7,447)	(7,447)
Shares issued under share option scheme (note 32(a))	887	–	(206)	–	681
Share-based payments	–	–	3,980	–	3,980
Lapse of share options	–	–	(39)	39	–
At 31 December 2015 and l January 2016	**203,214**	**431,247**	**5,862**	**3,964**	**644,287**
Total comprehensive income for the year	**–**	**–**	**–**	**(4,633)**	**(4,633)**
Share-based payments	**–**	**–**	**1,552**	**–**	**1,552**
Lapse of share options	**–**	**–**	**(254)**	**254**	**–**
At 31 December 2016	**203,214**	**431,247**	**7,160**	**(415)**	**641,206**

34. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(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.

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34. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(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 represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(t) to the consolidated financial statements.

(iv) 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.

(v) 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 policies set out in note 4(c) to the consolidated financial statements.

(vi) 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.

(vii) 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 NCI 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 NCI adjusted of RMB139,113,000 was directly recognised in other reserve.

During the year ended 31 December 2016, pursuant to two capital increase agreements, two independent third parties had made capital contributions to two subsidiaries of the Group resulting in a dilution of shareholding in these subsidiaries. The difference of RMB1,072,000 between the capital contributions of RMB40,310,000 and the amount of NCI adjusted of RMB39,238,000 was directly recognised in other reserve.

35. SHARE-BASED PAYMENTS

Equity-settled 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 of directors of the Company may, at their 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 also consultants or advisors of the Company or its subsidiaries or any entity in which the Group holds any equity interest ("Invested Entity");

(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 of 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 in the past 12-month period must be approved in advance by the Company's shareholders.

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

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35. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2016:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2016
18.7.2014	18.7.2014 to 17.1.2015	0.33	18.1.2015 to 17.7.2017	**17,758,000**	**–**	**–**	**(486,000)**	**17,272,000**
18.7.2014	18.7.2014 to 17.7.2015	0.33	18.7.2015 to 17.7.2017	**19,350,000**	**–**	**–**	**(486,000)**	**18,864,000**
23.7.2015	23.7.2015 to 22.1.2016	0.455	23.1.2016 to 22.7.2018	**19,656,000**	**–**	**–**	**(776,000)**	**18,880,000**
23.7.2015	23.7.2015 to 22.7.2016	0.455	23.7.2016 to 22.7.2018	**19,656,000**	**–**	**–**	**(776,000)**	**18,880,000**
				76,420,000	**–**	**–**	**(2,524,000)**	**73,896,000**
Weighted average exercise price (HK$)				**0.3943**	**–**	**–**	**0.4069**	**0.3939**
Exercisable at 31 December 2016								**73,896,000**

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	Granted 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 (HK$)				0.330	0.455	0.330	0.330	0.3943
Exercisable at 31 December 2015								37,108,000

35. SHARE-BASED PAYMENTS (Continued)

Equity-settled share option scheme (Continued)

The estimated fair value of per share option granted on 18 July 2014 and 23 July 2015 were HK$0.1 (equivalent to RMB0.077) and HK$0.15 (equivalent to RMB0.118) respectively.

No share options were granted, exercised or expired under the Scheme during the year ended 31 December 2016. The fair value of the share options granted during the year ended 31 December 2015 was approximately RMB4,639,000 and the Group recognised share-based payment expenses of approximately RMB1,552,000 (2015: RMB3,980,000) during the year ended 31 December 2016.

The weighted average share price at the date of exercise for shares options exercised during the year ended 31 December 2015 was RMB0.527.

The options outstanding at 31 December 2016 with exercise prices of RMB0.330 and RMB0.455 (2015: RMB0.330 and RMB0.455) have a weighted average remaining contractual life of 0.55 and 1.56 (2015: 1.55 and 2.56) year(s) respectively.

At the date of approval of these consolidated financial statements, the Company had 73,796,000 (2015: 76,420,000) share options outstanding under the Scheme, which represented approximately 5.84% (2015: 6.05%) of the Company's shares in issue as at that date.

36. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	**204,780**	340,920
Bearer plants	**18,208**	14,784
Capital contribution to an associate	**39,000**	–
	261,988	355,704

37. LEASE COMMITMENTS

At 31 December 2016 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**31,954**	27,632
In the second to fifth years inclusive	**167,701**	105,831
After five years	**1,096,868**	709,720
	1,296,523	843,183

Operating lease payments include rentals payable by the Group for its warehouses, office premises and lands. Leases of warehouses and office premises are negotiated for terms ranging from 1 to 5 years with fixed rentals. Leases of lands are negotiated for terms ranging from 1 to 30 years and rentals are adjusted periodically ranging from every year to every five years. All leases do not include contingent rentals.

38. PLEDGE OF ASSETS

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

	2016 RMB'000	2015 RMB'000
Property, plant and equipment	**702,892**	559,393
Prepaid land lease payments	**36,869**	27,693
Pledged bank deposits	**123,661**	24,001
Inventories	**494,365**	364,142
Trade and other receivables	**48,078**	33,387
	1,405,865	1,008,616

39. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

	2016 RMB'000	2015 RMB'000
Due from related companies	**164**	164
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63

As at 31 December 2016, the amounts of RMB11,000 (2015: RMB11,000) and RMB153,000 (2015: RMB153,000) were 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 due from 海升實業 and 海升現代流通 during the year ended 31 December 2016 were RMB11,000 (2015: RMB11,000) and RMB153,000 (2015: RMB153,000) respectively. Mr. Gao, 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 due are unsecured, interest-free 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 14 was as follows:

	2016 RMB'000	2015 RMB'000
Short-term benefits	**3,640**	3,609
Post-employment benefits	**219**	296
Equity-settled share-based payments	**208**	856
	4,067	4,761

39. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Guarantee in respect of banking and finance lease facilities

During the year ended 31 December 2016, Mr. Gao, a director of the Company, provided personal guarantees for banking and finance lease facilities granted to the Group of approximately RMB308,530,000 (2015: RMB220,000,000) and RMB262,934,000 (2015: RMB230,631,000) respectively.

(d) Other transactions

As at 31 December 2016, share options of 1,252,000 (2015: 1,252,000) were granted to the spouse of Mr. Gao, a director of the Company, in respect of her service to the Group. The Group recognised an expense of RMB28,000 (2015: RMB67,000) for the year ended 31 December 2016, in relation to share options granted to her. In addition, the Group incurred an expense of RMB406,000 (2015: RMB407,000) as her salaries.

40. SUBSIDIARIES

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
Wisdom Expect Investment Limited	British Virgin Islands	PRC	200 ordinary shares of USD1 each	**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")	PRC	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)]	PRC	PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
青島海升果業有限責任公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd. [(2)]	PRC	PRC	RMB275,500,000	**25.1%**	25.1%	**74.6%**	74.6%	Manufacture and sale of fruit juice concentrate

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For the year ended 31 December 2016

40. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
安徽碭山海升果業有限責任公司 translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd (2)	PRC	PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
栖霞海升果業有限責任公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd (2)	PRC	PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng International Inc.	USA	USA	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
伊天果汁(陝西)有限公司 translated as Vitian Juice (Shaanxi) Co., Ltd (2)	PRC	PRC	RMB143,174,014	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
新疆阿拉爾海升果業有限責任公司 translated as Xinjang Haisheng Fresh Fruit Juice Co., Ltd (2)	PRC	PRC	RMB50,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
碭山海升果膠有限責任公司 translated as Dangshan Haisheng Pectin Co., Ltd (2)	PRC	PRC	Nil	**–**	–	**99.6%**	99.6%	Manufacture and sale of pectin

40. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
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")	PRC	PRC	RMB384,210,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB100,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
銅川海升現代農業有限公司 translated as Tongchuan Haisherig Modern Agriculture Co. Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB1,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB1,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples

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40. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
運城市海升農業發展有限公司 translated as Yuncheng Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB1,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples and other fruits
靈台海升現升農業有限公司 translated as Lingtai Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
寧縣海升現代農業有限公司 translated as Ning County Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	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)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples

40. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
洛寧海升現代農業有限公司 translated as Luoning Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
瀋陽海升現代農業有限公司 translated as Shenyang Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB2,800,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
青島海升現代農業有限公司 translated as Qingdao Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB1,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
碭山海升現代農業有限公司 translated as Dangshan Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB1,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
承德海升現代農業有限公司 translated as Chengde Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB3,000,000	**–**	–	**65.8%**	66.1%	Plantation and sale of apples
陝西超越農業有限公司 translated as Shaanxi Chaoyue Agriculture Co., Ltd. (2) ("Shaanxi Chaoyue")	PRC	PRC	RMB100,000,000	**–**	–	**99.6%**	99.6%	Investment holding

40. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2016	2015	**2016**	2015	
寶雞超越農業有限公司 translated as Baoji Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**99.6%**	99.6%	Plantation and sale of apples
彬縣海越農業有限公司 translated as Bin County Haiyue Agriculture Co., Ltd. (2) ("Bin County Haiyue")	PRC	PRC	RMB130,000,000	**–**	–	**69.0%**	99.6%	Plantation and sale of apples

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, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(b) Decrease in ownership interest in subsidiaries without loss of control

On 5 December 2014, Shaanxi Haisheng, a subsidiary of the Company, entered into a capital increase agreement (the "Agreement I") 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 I, to inject an additional capital of RMB430,000,000 into Modern Fruit, a subsidiary of the Company ("Capital Injection I"). Pursuant to the Agreement I, Shaanxi Haisheng, Shaanxi Financial and China Agriculture shall contribute additional capital of RMB250,000,000, RMB100,000,000 and RMB80,000,000 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 RMB50,000,000 resulting in a dilution of shareholding in Modern Fruit. The Group received total cash capital contributions of RMB130,000,000 from the non-controlling shareholders. The amount of RMB9,113,000, being the difference between the capital contribution of RMB130,000,000 and the amount of NCI adjusted of RMB139,113,000, was directly recognised in other reserve during the year ended 31 December 2015.

40. SUBSIDIARIES (Continued)

(b) Decrease in ownership interest in subsidiaries without loss of control (Continued)

On 28 December 2015, Shaanxi Chaoyue, a subsidiary of the Company, entered into a capital increase agreement (the "Agreement II") with 彬縣城市建設投資開發有限責任公司 ("彬縣城市建設"), an independent third party at the time of the Agreement II, to inject an additional capital of RMB100,000,000 into Bin County Haiyue, a subsidiary of the Company ("Capital Injection II"). Pursuant to the Agreement II, Shaanxi Chaoyue and 彬縣城市建設 shall contribute additional capital of RMB60,000,000 and RMB40,000,000 respectively. Shaanxi Chaoyue and 彬縣城市建設 had made full capital contribution and the Group received total cash capital contributions of RMB40,000,000 from the non-controlling shareholder. The amount of RMB1,066,000, being the difference between the capital contribution of RMB40,000,000 and the amount of NCI adjusted of RMB38,934,000, was directly recognised in other reserve during the year ended 31 December 2016.

On 23 May 2016, Shaanxi Haisheng entered into another capital increase agreement (the "Agreement III") with Modern Fruit and 寧波信合聚力投資合夥企業 ("信合聚力"), an independent third party at the time of the Agreement III, to inject an additional capital of RMB1,210,000 into Modern Fruit ("Capital Injection III"). Pursuant to the Agreement III, Shaanxi Haisheng and 信合聚力 shall contribute additional capital of RMB900,000 and RMB310,000 respectively by 30 June 2016. Shaanxi Haisheng and 信合聚力 had made full capital contribution and the Group received total cash capital contributions of RMB310,000 from the non-controlling shareholder. The amount of RMB6,000, being the difference between the capital contribution of RMB310,000 and the amount of NCI adjusted of RMB304,000, was directly recognised in other reserve during the year ended 31 December 2016.

The remaining balance due by Shaanxi Financial of RMB50,000,000 was 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 58.47%.

(c) Details of non-wholly owned subsidiaries that have material NCI

In the opinion of the directors, Modern Fruit (together with its subsidiaries) and Bin County Haiyue, have material NCI. The NCI in respect of other subsidiaries were not material to the Group. The summarised financial information below represents amounts before intragroup eliminations.

Name	Modern Fruit and its subsidiaries		Bin County Haiyue	
	2016	2015	**2016**	2015
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/ voting rights held by NCI	**34.17%/ 34.17%**	33.94%/ 33.94%	**31.04%/ 31.04%**	–/–
At 31 December	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**656,793**	415,660	**57,240**	–
Current assets	**192,028**	105,070	**93,505**	–
Non-current liabilities	**(47,729)**	(35,422)	**–**	–
Current liabilities	**(312,350)**	(54,615)	**(20,132)**	–
	488,742	430,693	**130,613**	–
Accumulated NCI	**167,017**	145,570	**40,539**	–

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40. SUBSIDIARIES (Continued)

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

Name	Modern Fruit and its subsidiaries		Bin County Haiyue	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Year ended 31 December				
Revenue	**161,841**	42,590	**5,974**	–
Profit	**58,070**	17,750	**2,352**	–
Total comprehensive income	**58,070**	17,750	**2,352**	–
Profit allocated to NCI	**19,842**	6,457	**1,259**	–
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from/(used in) operating activities	**262,563**	38,144	**(64,315)**	–
Net cash used in investing activities	**(267,058)**	(119,036)	**(36,605)**	–
Net cash generated from financing activities	**737**	84,151	**100,000**	–
Net (decrease)/increase in cash and cash equivalents	**(3,758)**	3,259	**(920)**	–

As at 31 December 2016, the pledged bank deposits and bank and cash balances of the Group's subsidiaries in PRC denominated in RMB amounted to RMB268,798,000 (2015: RMB110,666,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 15 February 2017, Modern Fruit, a non-wholly owned subsidiary of the Group, entered into a capital raise agreement with 信合聚力 and 寧波梅山保稅港區信稷投資合夥企業 ("信稷投資") to inject an additional capital of RMB50,000,000 into Modern Fruit. Pursuant to the agreement, 信合聚力 and 信稷投資 shall contribute additional capital of RMB300,000 and RMB49,700,000 respectively. Upon the completion of the capital injection, the Group's equity interest in Modern Fruit will be diluted to approximately 58.5%.

(b) On 3 March 2017, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Group, entered into a joint venture agreement with Ningxian Junong Apple Industry Fund Professional Cooperative ("Ningxian Junong") pursuant to which Shaanxi Chaoyue and Ningxian Junong have agreed to establish a company in the PRC (the "JV Company") with a registered capital of RMB78,000,000 and each of Shaanxi Chaoyue and Ningxian Junong has agreed to contribute to the registered capital of the JV Company at RMB46,800,000 and RMB31,200,000, respectively. Upon the completion of the capital contributions, the JV Company will be owned as to 60% and 40% by Shaanxi Chaoyue and Ningxian Junong respectively.