

HAISHENG

2017

Interim Report



China Haisheng Juice Holdings Co.,Ltd.

中國海升果汁控股有限公司

Stock Code : 359

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Corporate Information

Stock Code

359

Executive Directors:

Mr. Gao Liang (*Chairman*)
Mr. Ding Li
Mr. Zhao Chongjun
Mr. Wang Linsong

Independent non-executive directors:

Mr. Zhao Boxiang
Mr. Liu Zhongli (*appointed on 6 July 2017*)
Mr. Chan Bing Chung
Mr. Li Yuanrui (*resigned on 6 July 2017*)

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. Liu Zhongli (*appointed on 6 July 2017*)
Mr. Li Yuanrui (*resigned on 6 July 2017*)

Remuneration Committee Members

Mr. Zhao Boxiang (*Chairman*)
Mr. Liu Zhongli (*appointed on 6 July 2017*)
Mr. Chan Bing Chung
Mr. Li Yuanrui (*resigned on 6 July 2017*)

Nomination Committee Members

Mr. Zhao Boxiang (*Chairman*)
Mr. Liu Zhongli (*appointed on 6 July 2017*)
Mr. Zhao Boxiang
Mr. Chan Bing Chung
Mr. Li Yuanrui (*resigned on 6 July 2017*)

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

Room B, 3rd Floor
Eton Building
288 Des Voeux Road Central
Hong Kong

Website Address

www.chinahaisheng.com

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

Principal Bankers

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

HIGHLIGHTS

- For the six months ended 30 June 2017, the Group's unaudited turnover decreased from approximately RMB639.8 million to approximately RMB568.6 million, representing a decrease of approximately 11.1% over the same period of last year.
- For the six months ended 30 June 2017, the Group attained an unaudited profit attributable to owners of the Company of approximately RMB27.7 million, representing a decrease of approximately 15.2% over the same period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Management Discussion and Analysis

Financial review

The Board announces that, for the six months ended 30 June 2017, the Group recorded an unaudited turnover of approximately RMB568.6 million, representing a decrease of approximately 11.1% over the same period of last year. Gross profit margin for the six months ended 30 June 2017 was approximately 20.1%, as compared with 17.5% for the same period of last year. The Group has attained an unaudited profit attributable to owners of the Company of approximately RMB27.7 million for the period under review representing a decrease of approximately 15.2% over the same period of last year.

For the period under review, turnover decreased by approximately 11.1% to approximately RMB568.6 million. Such decrease was mainly attributable to the decrease in sales volume of apple juice concentrate resulting from fierce market competition, especially in North America and South Africa.

For the period under review, the gross profit margin of the Group increased from approximately 17.5% to approximately 20.1% which was attributable to the increase in sales of products with higher gross profit margin such as apple pectin and consumer beverage.

Other income decreased by approximately 7.6% to approximately RMB71.9 million. Such decrease was mainly attributable to the decrease in government subsidy received.

Distribution costs increased by approximately 6.8% to approximately RMB68.0 million during the period under review. Such increase was mainly attributable to the increase in sales with shipping terms that included freight charges during the period under review.

Administrative expenses increased by approximately 26.2% to approximately RMB82.4 million during the period under review. The increase in administrative expenses was mainly attributable to the increase in number of fruit agriculture bases resulting in increasing staff cost.

Finance costs of the Group amounted to approximately RMB47.3 million in the period under review, representing an increase of approximately 7.7% over the same period of last year. The increase was attributable to the increase in bank and other borrowing balance.

Management Discussion and Analysis

As a result of the foregoing, the Group attained an unaudited profit attributable to owners of the Company of approximately RMB27.7 million, representing a decrease of approximately 15.2% over the same period of last year.

Liquidity, financial resources, capital structure and gearing

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 30 June 2017, the Group's bank and other borrowings, bills payable and obligations under finance leases amounted to approximately RMB2,538.4 million (as at 31 December 2016: RMB2,336.5 million), among which, approximately RMB1,123.0 million were secured by way of charge on the Group's assets. Approximately RMB1,474.3 million of the sum were due within one year and approximately RMB973.2 million of the sum were due within two to five years. Approximately RMB248.6 million of the sum were denominated in US dollars while approximately RMB2,289.9 million were denominated in RMB. Approximately RMB1,810.1 million of the sum were fixed-rate borrowings while approximately RMB728.3 million were variable-rate borrowings.

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Bank loans	1,884,891	1,514,892
Other borrowings	227,653	373,545
Loan from government	31,295	1,295
Bills payable	90,940	210,323
Finance lease payables	303,666	236,474
	2,538,445	2,336,529

As at 30 June 2017, the cash and bank balances including pledged bank deposits amounted to approximately RMB353.0 million (as at 31 December 2016: RMB304.6 million).

Management Discussion and Analysis

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank loans, bills payable, other borrowings and obligations under finance leases less pledged bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. At 30 June 2017, the gearing ratio was 163.8% (as at 31 December 2016: 166.4%).

As of 30 June 2017 the Group has approximately RMB367.9 million capital commitments (as at 31 December 2016: RMB262.0 million).

Exposure to fluctuations in exchange rates

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

Pledge of assets

As at 30 June 2017, the Group pledged property, plant and equipment, prepaid lease payments, pledged bank deposits, inventories and value added tax recoverable for security of the Group's borrowings and obligation under finance lease with carrying account of approximately RMB2,207.7 million (as at 31 December 2016: RMB1,405.9 million).

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017.

Business review

Juice Concentrate and By-Product Processing

In January to June 2017, the demand of apple juice concentrate in the international market further recovered. PRC, US and Canada, Europe market and Russia recorded export growth rates of 11.8%, 22%, 10.95% and 1% respectively as compared to the same period of last year. Under this background, the Group has further adjusted product structure and enriched its business portfolio. Meanwhile, the Group controlled costs through comprehensive budget management and enhanced gross profit margin, which helped to improve the juice concentrate and by-product operation segment.

According to statistics, in January to June 2017, the Group maintained its leading position in juice concentrate and its related business. In order to maintain the gross profit margin, the Group made considerable effort. As a result, the selling price of our apple juice concentrate was 2% higher than the average selling price in domestic market. Although export volume was lower than the same period of last year, our market share in Australia and New Zealand market increased significantly by approximately 248%, together with an obvious increase in market share in Europe and Middle East markets.

As for production, the Group actively adjusted product mix, upgraded the production lines of various varieties, intergrated market, R&D and production resources and carried our research on plant extraction and natural fruit flavors. Also, the Group focused on various types of business products and kept modifying and upgrading equipment, such as upgrading coal-fired boilers to natural gas-fired boilers in Weinan plant and modifying the emission technology used for the boilers in Qixia and Liaobao plants.

Management Discussion and Analysis

Besides, the Group continued to further explore the downstream end market by promoting the sales of “Eden View”, a high-end series of bottled juice, in domestic market through numerous sales channels, including middle-to-high-end restaurants, supermarkets, hotels, franchised cinemas, franchised bakeries, franchised coffee shops, internet cafés, night clubs, schools and colleges, households and newspaper alliances within our sales network covering 29 provinces and 107 cities. Moreover, the Group achieved satisfactory result in by-product processing business with stably developing apple pectin business following the completion of pilot test of amidated low methoxyl pectin and trial production of tangerine pectin. During the reporting period, the Group obtained the right to import wine products and the infrastructure project for cider products is under construction.

During the reporting period, the Group completed the registrations of 8 patents:

A kind of fruit jelly with probiotics function and its processing technology (accepted)	Patent No. 201611249723.0
Jam bottle (accepted)	Patent No. 201730103563.8
Jam bottle (accepted)	Patent No. 201730248168.9
Bottle (accepted)	Patent No. 201730104323.X
Beverage bottle (accepted)	Patent No. 201730175080.9
Beverage bottle (large-size) (accepted)	Patent No. 201730247036.4
Package box (beverage) (accepted)	Patent No. 201730175365.2
Bottle label sticker (accepted)	Patent No. 201730175363.3

Modernised agriculture

After development for many years, modernized agriculture business of Haisheng Group has established a basic structure. Currently, the modernized agriculture segment of the Group has built up a compounded product mix comprising of temperate fruit products as well as tropical fruits, berries and vegetables. In addition, it has developed and perfected a series of industrial platforms and extended businesses including high technology agricultural base, agricultural facilities and agricultural tourism.

Management Discussion and Analysis

In temperate fruits business, as at the end of June 2017, the Group has completed modernized 36 apple plantation bases, 7 plantation bases for pear, cherry and kiwi and 5 new core experiment nurseries, of which the base in Wei County, Hebei was granted State Level Quarantining Nursery Certificate. As for plantation variety, approximately 3500 mu area was used for plantation of optimized apple varieties, including gala apple, margil apple, honey crisp apple and Fuji apple. It was the first year that 7 varieties of cherry trees fruited; more than 10 new apple varieties and 5 new cherry varieties were under seedling cultivation. As for new technique research and promotion, the Group further rationalized and clarified critical technical points in liquid fertilizer, gardening and plantation as well as actively utilized atmosphere fruit storage technology to comprehensively established regulative standards for fresh fruit sorting and packaging.

As for tropical fruits, at the end of June 2017, the Group newly established 6 tropical fruit plantation bases, covering nine cities in three provinces, including Sichuan, Guizhou and Guangxi. Also, the Group applied new technology and new equipment in orchard construction and operation, enhanced the quality and management standard of the orchards by using aerial photography drone to draw elevation model, scientifically guiding the orchard construction, timely identifying the issues during orchard operation, promptly knowing the weather information and weather forecast and enhanced disaster prevention by virtue of new equipment and instruments and establishing wireless recording platform for agricultural operation to strengthen the feedback efficiency of agricultural operation.

As for vegetables plantation, as at the end of June 2017, the Group added 3 new vegetables plantation bases in Weining in Guizhou, Pingyin in Shandong and Dangshan in Anhui. Currently, all bases has basically applied mechanization in all processes, including preliminary farmland formation, seeding and harvest. Two new carrot processing plants have been constructed in Pingyin in Jinan and Weining in Guizhou, of which the major construction of Weining plant was completed in June 2017. Besides, the Group further extended the marketing channel of fruit carrot (baby carrot) by continuously developing e-commerce market and BC chain market based on existing KA supermarket channel. By continuously enriching product mix, the Group fully utilized existing resources to test the market of fruit carrot, “脆樂球”, and received positive market feedback.

Management Discussion and Analysis

As for berries plantation, as at the end of June 2017, the Group significantly increased production capacity in newly contracted demonstrative strawberry, blueberry and raspberry farms in Pingchang, Sichuan. As for production technique, the Group applied several technical models, including seeding in summer and planting in winter, early seeding in high altitude regions and flower bud differentiation for young plant in winter, which helped ensure continuous supply of berries for the whole year. As for introducing new variety, the Group selected and introduced the internationally advanced ever bearing strawberry variety to optimize variety portfolio. During the reporting period, the Group introduced patent strawberry varieties from Italy and Spain, as well as new raspberry varieties from Italy and France, which are currently under trial plantation.

As for agricultural facilities, the Group paid close attention to the development of advanced agricultural facilities in PRC. During the reporting period, multi-span smart greenhouse in Tongchuan passed the organic certification in both PRC and USA and the products were qualified for export in Hong Kong and Macau. Various quality foreign tomato varieties were introduced to 120,000 m² semi-closed smart glass greenhouse in Pingliang, Gansu, and seeding and tomato plantation have started.

As for perishable products, based on our three major products, namely apple, fruit carrot and berries, the Group established 8 major sales regions in Northern China, Central China, Eastern China and Northwest China and jointly established 3D sales network with online platforms, including Tmall, JD.com and Youzan, extended to direct sales in supermarkets including Yonghui Superstore, Ren Ren Le and C.P. Lotus, and set up sales stores in 13 wholesale markets around the country including Xinfade in Beijing, Bajiazi in Shenyang, Wanbang in Zhengzhou, Yurun in Xian.

Employees

As at 30 June 2017, the number of employees of the Group was 2,436 (31 December 2016: 2,093). Details of our remuneration policies and staff development were substantially the same as those disclosed in the 2016 Annual Report with no significant change.

Prospect

In the second half of 2017, based on the juice concentrate business, the Group will further strengthen and enlarge the scale of our major business. Meanwhile, the Group will complete the upgrading process of series of juice drinks, commenced formula modification to reduce sugar and make the drinks healthier, continuously enhance the research and study and trial production of fruit wine, pectin, granules jam, jelly and high juice-content products, strongly promoted three major series, namely “Eden View”, “高端枝純” and “Sweetheart”, complete the construction of the plant 清谷田園食品有限公司 and start production, continue to optimize the brand structure and gain popularity.

The Group will continue to develop with international prospective, consolidate critical resources, apply advanced technology and enhance management to create a new growing point in modernised agriculture business for the Group. Also, the Group will continue to carry out investigation and research, progressively optimize our development plan in temperate fruits business, look for proper plantation region for berries, vegetables and tropical fruits and strategically expand the plantation area with well planning. Besides, the Group will explore and improve management model by refined management and procedure monitoring to strengthen internal operation and management, deepen the research and study on advanced technology, especially technological research and application of high density dwarf plantation, rootstock cultivation, infant trees breeding and agricultural facilitates, continuously extend channels by deepening the channel construction in the first tier cities and accelerating deployment of sales channels in the second and third tier cities and online sales channel for fresh fruit and keep increasing the share of “Eden View” products to make it as our major brand and to lay a solid foundation for the sales of the Group’s agricultural products.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

Purchase, Sale or Redemption of the Company's Listed Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2017.

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 was expired on 29 May 2017. Under the Scheme, the Board might 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 might 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 might be granted to any individual in any 12 month period was not permitted to exceed 1% of the share capital of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent nonexecutive directors or any of their associates in excess of 0.1% of the Company's share capital and with a value in excess of HK\$5 million in the past 12-month period must be approved in advance by the Company's shareholders.

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

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

Directors' Report

Category and name of grantees	Date of grant	Exercise price (HK\$)	Outstanding at 1.1.2017	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding at 30.6.2017
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. Wang Linsong	18.7.2014 (Note 1)	0.33	252,000	-	-	-	-	252,000
	23.7.2015 (Note 2)	0.455	400,000	-	-	-	-	400,000
Mr. Zhao Chongjun	18.7.2014 (Note 1)	0.33	972,000	-	-	-	-	972,000
	23.7.2015 (Note 2)	0.455	1,152,000	-	-	-	-	1,152,000
Ms. Xie Haiyan (Note 3)	18.7.2014 (Note 1)	0.33	552,000	-	-	-	-	552,000
	23.7.2015 (Note 2)	0.455	700,000	-	-	-	-	700,000
Employees in aggregate	18.7.2014 (Note 1)	0.33	21,388,000	-	(7,444,000)	-	-	13,944,000
	23.7.2015 (Note 2)	0.455	34,356,000	-	-	-	-	34,356,000
			73,896,000	-	(8,416,000)	-	-	65,480,000

Notes:

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

2. 50% of the share options granted on 23 July 2015 should be vested for six months (i.e. from 23 July 2015 to 22 January 2016) and the Exercisable period for this tranche of option should be 23 January 2016 to 22 July 2018. The remaining 50% should be vested for twelve months (i.e. from 23 July 2015 to 22 July 2016) and the Exercisable period for this tranche of option should be 23 July 2016 to 22 July 2018.
3. Ms. Xie Haiyan is the spouse of Mr. Gao Liang, being an associate of an executive Director.

Directors' and Chief Executive's Interests and Short Position in Shares and Underlying Shares

As at 30 June 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Mr. Gao Liang	The Company	Interest of controlled corporation	459,061,238 Shares ^(Note 1)	36.12%
		Interest of spouse	5,640,660 Shares ^(Note 2)	0.44%
		Beneficial owner	12,000,000 Shares ^(Note 3)	0.94%
			476,701,898 Shares	37.50%
Mr. Ding Li	The Company	Beneficial owner	2,124,000 Shares ^(Note 3)	0.17%
Mr. Zhao Chungjun	The Company	Beneficial owner	2,124,000 Shares ^(Note 4)	0.17%
Mr. Wang Linsong	The Company	Beneficial owner	2,124,000 Shares ^(Note 4)	0.17%

Directors' Report

Notes:

1. As at 30 June 2017, 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 30 June 2017, the 5,640,660 Shares (of which 1,252,000 Shares were 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. Among the 2,124,000 Shares, 1,152,000 Shares were the underlying shares granted under the share option scheme of the Company.
4. The shares were the underlying shares granted under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Person's Interests in Shares and Underlying Shares

As at 30 June 2017, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding
Ms. Xie Haiyan	The Company	Interest of spouse	471,061,238 Shares ^(Note 1)	37.06%
		Beneficial owner	5,640,660 Shares ^(Note 2)	0.44%
			476,701,898 Shares	37.50%
Think Honour	The Company	Beneficial owner	459,061,238 Shares ^(Note 3)	36.12%
Tiandi Yihao Beverage Co., Ltd.	The Company	Interest of controlled corporation	227,996,000 Shares ^(Note 4)	17.94%
Shenzhen Tiandi Win-Win Investment Management Co., Limited	The Company	Interest of controlled corporation	227,996,000 Shares ^(Note 4)	17.94%
Tiandi Win-Win Investment Management Co., Limited	The Company	Beneficial owner	227,996,000 Shares ^(Note 4)	17.94%

Directors' Report

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 were 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 30 June 2017, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance Practices

During the six months ended 30 June 2017, 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 Corporate Governance Code (which is set out in the Appendix 14 of the Listing Rules) by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the period 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. 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 (resigned on 6 July 2017), were absent from both the last annual general meeting and the extraordinary general meeting of the Company held on 8 June 2017 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.

Compliance of the Model Code for Securities

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. All Directors have confirmed, following specific enquiry by the Company, that they have complied with the required standards set out in the Model Code throughout the review period.

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.

REVIEW OF RESULTS

The unaudited interim results for the six months ended 30 June 2017 was reviewed by the audit committee of the Company.

By order of the Board
China Haisheng Juice Holding Co., Ltd
Mr. Gao Liang
Chairman

Xi'an, the People's Republic of China, 30 August, 2017

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		(Unaudited)	
		Six months ended 30 June	
		2017	2016
	NOTES	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	568,596	639,763
Cost of sales		(454,117)	(527,511)
Gross profit		114,479	112,252
Other income		71,858	77,728
Other gain and loss		50,957	19,928
Distribution and selling expenses		(67,950)	(63,632)
Administrative expenses		(82,438)	(65,310)
Other operating expenses		(2,651)	(2,960)
Finance costs		(47,336)	(43,962)
Share of loss of an associate		(1,807)	–
Profit before taxation		35,112	34,044
Taxation	6	(4,170)	(1,289)
Profit for the period	7	30,942	32,755
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(146)	800
Other comprehensive (expense)/income for the period		(146)	800
Total comprehensive income for the period		30,796	33,555
Profit for the period attributable to:			
Owners of the Company		27,659	32,621
Non-controlling interests		3,283	134
		30,942	32,755

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

		(Unaudited)	
		Six months ended 30 June	
		2017	2016
NOTES		<i>RMB'000</i>	<i>RMB'000</i>
<hr/>			
Total comprehensive income			
attributable to:			
Owners of the Company		27,513	33,421
Non-controlling interests		3,283	134
		<hr/>	<hr/>
		30,796	33,555
		<hr/>	<hr/>
Dividends	8	–	–
		<hr/>	<hr/>
Earnings per share			
Basic (cents per share)	9	2.18	2.58
		<hr/>	<hr/>
Diluted (cents per share)	9	2.17	2.57
		<hr/>	<hr/>

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	NOTES	30 June 2017 (Unaudited) RMB'000	31 December 2016 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,296,727	2,115,312
Prepaid land lease payments		86,917	100,312
Bearer plants	11	720,988	604,631
Investment in an associate		11,658	8,465
Prepayments for acquisition of bearer plants		35,679	22,380
Deposits for acquisition of property, plant and equipment		3,507	21,596
Total non-current assets		3,155,476	2,872,696
CURRENT ASSETS			
Prepaid land lease payments		2,623	17,197
Biological assets		13,668	14,862
Inventories	12	769,091	1,079,545
Trade and other receivables	13	374,676	247,977
Amounts due from related companies		–	164
Current tax assets		–	162
Pledged bank deposits		44,088	123,661
Bank balances and cash		308,935	180,941
Total current assets		1,513,081	1,664,509
CURRENT LIABILITIES			
Trade and other payables	14	629,035	824,011
Bills payables		90,940	210,323
Current tax liabilities		1,212	–
Dividend payable to non-controlling shareholders of a subsidiary		63	63
Bank and other borrowings		1,375,161	1,079,115
Finance lease payables		99,142	72,565
Deferred government grants		4,085	1,029
Total current liabilities		2,199,638	2,187,106

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
NOTES	RMB'000	RMB'000
Net current liabilities	(686,557)	(522,597)
Total assets less current liabilities	2,468,919	2,350,099
NON-CURRENT LIABILITIES		
Other liabilities	8,347	9,985
Bank and other borrowings	768,678	810,617
Finance lease payables	204,524	163,909
Deferred government grants	137,395	129,175
Deferred tax liabilities	15,952	15,296
Total non-current liabilities	1,134,896	1,128,982
NET ASSETS	1,334,023	1,221,117
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	13,134	13,061
Reserves	1,029,048	999,198
	1,042,182	1,012,259
Non-controlling interests	291,841	208,858
TOTAL EQUITY	1,334,023	1,221,117

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

Attributable to Owners of the Company

	Share Capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
At 1 January 2016 (audited)	13,061	203,214	5,862	258,722	(436)	183,931	(10,200)	328,262	982,416	148,537	1,130,953
Profit for the period (unaudited)	-	-	-	-	-	-	-	32,621	32,621	134	32,755
Exchange differences arising on translation of foreign operations (unaudited)	-	-	-	-	800	-	-	-	800	-	800
Total comprehensive income/(expense) for the period (unaudited)	-	-	-	-	800	-	-	32,621	33,421	134	33,555
Contribution from minority shareholder of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	30,310	30,310
Appropriated from accumulated profits (unaudited)	-	-	-	-	-	9,569	-	(9,569)	-	-	-
At 30 June 2016 (unaudited)	13,061	203,214	5,862	258,722	364	193,500	(10,200)	351,314	1,015,837	178,981	1,194,818
At 1 January 2017 (audited)	13,061	203,214	7,160	258,722	(42)	191,756	(9,128)	347,516	1,012,259	208,858	1,221,117
Profit for the period (unaudited)	-	-	-	-	-	-	-	27,659	27,659	3,283	30,942
Exchange differences arising on translation of foreign operations (unaudited)	-	-	-	-	(146)	-	-	-	(146)	-	(146)
Total comprehensive income/(expense) for the period (unaudited)	-	-	-	-	(146)	-	-	27,659	27,513	3,283	30,796
Share issued under share option scheme	73	2,991	(654)	-	-	-	-	-	2,410	-	2,410
Contribution from minority shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	79,700	79,700
Appropriated from accumulated profits (unaudited)	-	-	-	-	-	5,168	-	(5,168)	-	-	-
At 30 June 2017 (unaudited)	13,134	206,205	6,506	258,722	(188)	196,924	(9,128)	370,007	1,042,182	291,841	1,334,023

Condensed Consolidated Statement of Cash Flow

For the six months ended 30 June 2017

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	76,738	477,287
Net cash used in investing activities		
Purchase of property, plant and equipment	(220,097)	(296,213)
Purchase of bearer plants	(141,048)	(78,647)
Decrease/(increase) in pledged bank deposits	79,573	(26,709)
Other investing activities	14,533	6,416
	(296,105)	(395,153)
Net cash generated from financing activities		
New bank and other borrowings raised	1,227,178	1,321,484
Repayment of bank and other borrowings	(974,709)	(1,216,698)
Contribution from minority shareholders of subsidiaries	79,700	30,310
Other financing activities	15,192	(64,256)
	347,361	70,840
Increase in cash and cash equivalents	127,994	152,974
Cash and cash equivalent at 1 January	180,941	100,260
Cash and cash equivalent at 30 June, representing bank balances and cash	308,935	253,234

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room B, 3/F., Eton Building, 288 Des Voeux Road Central, Hong Kong.

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

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

2. PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rule”) and with International Accounting Standard 34 (IAS 34) “Interim Financial Reporting”.

b) Going concern

As at 30 June 2017, the Group had net current liabilities of RMB686,557,000. 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 30 June 2017 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.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2016, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning 1 January 2017. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

4. REVENUE

The following is analysis of the Group's revenue for the six months ended 30 June 2017:

	Revenue from external customers (Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of fruit juice concentrate and related products	535,404	622,386
Sale of apples and other fruits	33,192	17,377
	568,596	639,763

5. 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 the Group's accounting policies. 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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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

	Fruit juice operation		Agriculture operation		Total	
	(Unaudited)		(Unaudited)		(Unaudited)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Revenue from external customers	535,404	622,386	33,192	17,377	568,596	639,763
Intersegment revenue	-	-	667	1,217	667	1,217
Reportable segment revenue	535,404	622,386	33,859	18,594	569,263	640,980
Less: intersegment revenue					(667)	(1,217)
Consolidated revenue					568,596	639,763
Segment results	54,485	34,664	(21,103)	(17,150)	33,382	17,514
Other income					71,858	77,728
Share of loss of an associate					(1,807)	-
Unallocated amounts:						
Other gains and losses					(4)	3
Administrative expenses					(20,981)	(17,239)
Finance costs					(47,336)	(43,962)
Consolidated profit before tax					35,112	34,044

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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 from external customers		Non-current assets	
	(Unaudited)		(Unaudited)	(audited)
	Six months ended 30 June		30 June	31 December
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States of America (the "USA")	178,582	237,719	244	36
Canada	32,124	68,682	—	—
PRC	197,044	92,406	3,155,232	2,872,660
South Africa	20,326	103,971	—	—
Saudi Arabia	15,130	17,563	—	—
Japan	44,240	50,832	—	—
Australia	26,895	9,259	—	—
Russia	23,504	34,381	—	—
Others	30,751	24,950	—	—
	568,596	639,763	3,155,476	2,872,696

Information about major products:

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Apple juice	359,965	484,724
Other juice	149,255	117,929
Fresh fruits	33,192	17,377
Others	26,184	19,733
	568,596	639,763

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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.

6. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Directors' emoluments	1,183	1,140
Salaries, wages and other benefits	94,646	46,797
Retirement benefits scheme contributions	19,197	9,748
Share-based payment expenses	–	–
Total staff costs	115,026	57,685
Less: staff costs capitalised into inventories	(26,285)	(17,545)
Less: staff cost capitalised into cost of bearer plant	(21,389)	(9,003)
	67,352	31,137
Amortisation of prepaid land lease payments	38,235	10,005
Less: amount capitalised into cost of bearer plants/biological assets	(36,933)	(8,941)
	1,302	1,064

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment		
– owned assets	46,618	53,102
– assets under finance lease	15,404	14,545
	62,022	67,647
Less: amount capitalised into cost of bearer plants	(6,014)	(3,765)
	56,008	63,882
Operating lease charges for land and buildings	2,493	466
Depreciation of bearer plants	1,117	459
Cost of inventories sold	454,117	527,511
Loss on disposals of property, plant and equipment	1,740	2,094
Bank interest income	(650)	(218)

7. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income tax (“EIT”)	2,958	57
Other jurisdiction	556	452
	3,514	509
Deferred tax	656	780
	4,170	1,289

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. The PRC subsidiary will need to apply for the preferential tax rate for 2017.

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. The PRC subsidiaries will need to apply for the exemption of EIT for 2017.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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. The PRC subsidiaries will need to apply for the exemption of EIT for 2017.

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%.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	(Unaudited)	
	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	27,659	32,621

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

Number of shares	Six months ended 30 June	
	2017	2016
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,271,064,000	1,262,648,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company	5,467,965	6,850,241
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,276,531,965	1,269,498,241

10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group incurred approximately RMB245,260,000 on acquisition of property, plant and equipment.

11. BEARER PLANTS

During the period under review, the Group incurred approximately RMB186,071,000 on acquisition of bearer plants.

12. INVENTORIES

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (audited)
Raw materials and consumables	96,720	62,168
Work in progress	124,526	206,368
Finished goods	547,845	811,009
	769,091	1,079,545

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

13. TRADE AND OTHER RECEIVABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	177,089	98,298
Less: allowance for doubtful debts	(7,158)	(7,158)
	169,931	91,140
Value added tax recoverable and other tax recoverable	23,973	57,546
Receivable from disposal of bearer plants	–	32,179
Advances to suppliers	76,851	10,577
Bills receivable	1,910	–
Other receivables, deposits and prepayments	102,011	56,535
	374,676	247,977

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.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 <i>RMB'000</i> (audited)
0 to 90 days	73,877	88,090
91-180 days	25,916	2,383
181 to 365 days	69,203	392
Over 1 year	936	275
	169,931	91,140

14. TRADE AND OTHER PAYABLES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 <i>RMB'000</i> (audited)
Trade payables	357,631	552,418
Payable for acquisition of property, plant and equipment	62,082	169,170
Advances from customers	18,561	14,386
Accrued salaries	17,879	15,594
Accrued interest	932	4,534
Value added tax and other tax payables	7,400	4,431
Other liabilities	8,347	9,985
Other payables and accruals	164,550	63,478
	637,382	833,996
Less: other liabilities – non-current portion	(8,347)	(9,985)
	629,035	824,011

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2017

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:

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (audited)
0 to 90 days	185,097	489,580
91-180 days	28,895	17,747
181 to 365 days	103,077	30,156
Over 1 year	40,562	14,935
	357,631	552,418

15. CAPITAL COMMITMENTS

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (audited)
Property, plant and equipment	331,725	204,780
Bearer plants	2,211	18,208
Capital contribution to an associate	34,000	39,000
	367,936	261,988