海升集團

ANNUAL REPORT

2017 Annual Report

中國海升果汁控股有限公司
China Haisheng Juice Holdings Co., Ltd.

Stock Code:359

海升集团

中國海升果汁控股有限公司
China Haisheng Juice Holdings Co., Ltd.

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

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

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

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LEGAL ADVISER
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Financial Highlights

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**3,506,838**	2,872,696	2,131,341	1,676,180	1,466,152
Net current (liabilities)/assets	**(920,404)**	(522,597)	(618,883)	12,204	(5,984)
Non-current liabilities	**(1,075,837)**	(1,128,982)	(381,505)	(698,606)	(495,749)
	1,510,597	1,221,117	1,130,953	989,778	964,419
Share capital	**13,296**	13,061	13,061	13,039	13,039
Reserves	**1,143,898**	999,198	969,355	974,434	949,233
Equity attributable to owners of the Company	**1,157,194**	1,012,259	982,416	987,473	962,272
Non-controlling interests	**353,403**	208,858	148,537	2,305	2,147
Total equity	**1,510,597**	1,221,117	1,130,953	989,778	964,419

	For the year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,382,676**	1,127,434	1,143,990	1,237,010	1,669,210
Profit/(loss) before tax	**188,639**	47,883	7,025	24,631	(52,831)
Income tax (expense)/credit	**(12,479)**	25	(1,317)	(1,428)	(3,367)
Profit/(loss) for the year	**176,160**	47,908	5,708	23,203	(56,198)
Profit/(loss) for the year attributable to:					
Owners of the Company	**145,125**	26,825	(1,411)	23,045	(56,041)
Non-controlling interests	**31,035**	21,083	7,119	158	(157)
	176,160	47,908	5,708	23,203	(56,198)

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 2017.

For the year ended 31 December 2017, the Group recorded a revenue of approximately RMB1,382.7 million and gross profit of approximately RMB291.8 million, representing an increase of 21.1%; as well as a profit attributable to owners of the Company of approximately RMB145.1 million and basic and diluted earnings per share amounted to RMB11.37 cents and RMB11.35 cents respectively.

Reviewing the year, the production volumes of apple decreased due to the adverse weather condition in European regions, resulting in the expected rebound of apple juice concentrate industry in the People's Republic of China (the "PRC"). In 2017, the apple juice concentrate export volume of the PRC increased by 29% over the previous year. The Group steadily recovered its profitability of major business through further enhancement in capacity utilisation and strict control over production costs. In addition, the Group extended into end-user markets downstream and launched "Eden View" series of high-end bottled juice, which received high recognition from the market; and the Group constructed a beverage production line in Qianyang, Baoji City in response to the ever growing consumer demand.

For modernised agriculture segment, during the reporting period, the Group continued to optimise its product structure and production area layout, focused on promoting the construction of whole industrial chain projects for fruit products such as apples and citruses, and established the operational and control capabilities of its industrial chain. At the same time, the Group constantly strengthened its sales force, diversified its sales channels and enhanced its brand value.

Outlook and prospect

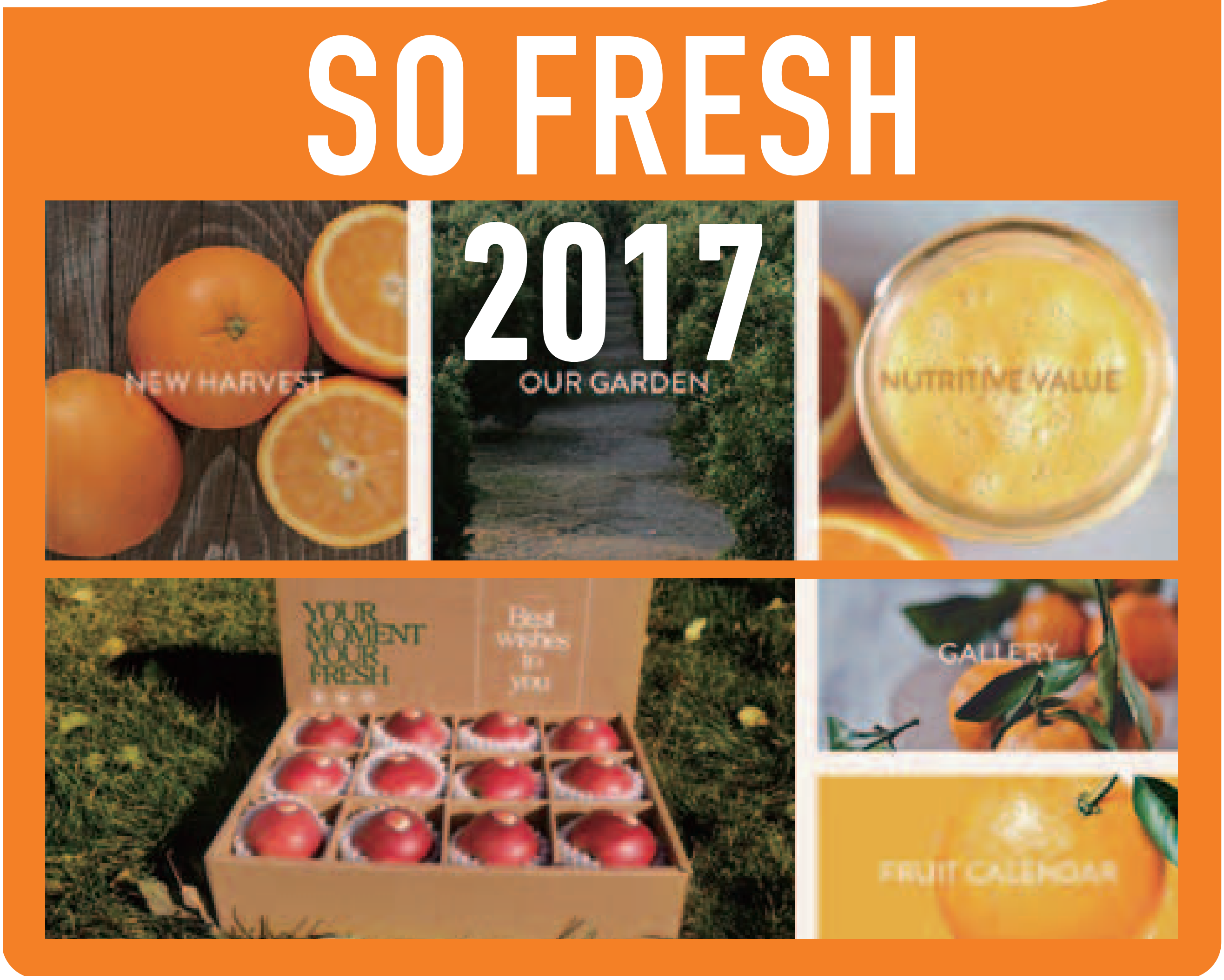
In the future, China's economy will steadily move toward a high-quality development stage with the support of consumption upgrading and supply-side structural reforms. Agricultural production and processing industry will also welcome new opportunities for development. We believe that China's apple juice concentrate industry will usher in new market growth in the coming two to three years. As such, the Group will increase capacity utilisation, amplify technological advantages, reduce product costs, and actively expand the market. We will seize opportunities and constantly enhance profitability of juice concentrate. For modernised agriculture segment, the Group will involve in the supply-side structural reform in the agricultural sector, continuously improve the agricultural production and management capabilities, provide safe, healthy and delicious fresh fruit products for the market, and contribute to the transformation of modern agricultural industry and the sustainable development of the agriculture sector.

Appreciation

After the development of the Group in recent years, the effectiveness of the Group's transformation has taken shape, and we will continue to innovate, develop and strive to create an ideal return on investment for our shareholders. 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 contributions of efforts in the development of the Group.

By order of the Board
Gao Liang
Chairman

Xian, the PRC
28 March 2018



Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2017, China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately RMB1,382.7 million, representing an increase of 22.6% over the previous year. Gross profit margin for the current year is 21.1% as against 21.4% in the previous financial year.

The increase in revenue in 2017 was mainly attributable to (i) the increase in sales volume of apple juice concentrate by 19% as adverse weather conditions in Europe affected its production of apple juice concentrate and customers imported more apple juice concentrate from the People's Republic of China (the "PRC") in 2017; and (ii) the significant increase in the sales volume of juice beverage, fresh fruits and apple pectin due to the increasing effort in marketing of those products during the year.

The overall gross profit margin in 2017 was slightly decreased from 21.4% to 21.1%. Sales price of the apple juice concentrate was relatively lower in 2017 due to the increase in its supply in the PRC. The effect of the increase in sales volume of relatively high gross profit margin products including juice beverage and apple pectin was net off by the decrease in gross profit margin in apple juice concentrate. Consequently, the overall gross profit margin slightly decreased.

Other income increased by 107.9% to approximately RMB310.0 million and which were mainly non-recurrent subsidies from the PRC government.

The increase in other gains and losses by 81.7% to approximately RMB105.8 million was mainly attributable to the increase in gain on disposals of saplings and net foreign exchange gains.

The increase in distribution and selling expenses by 41.1% to approximately RMB181.4 million was mainly attributable to the increasing effort in marketing of fresh fruits and juice beverage. The distribution channels in the wholesale markets in the PRC were significantly increased.

The administrative expenses increased by 27.1% to approximately RMB199.9 million was mainly attributable to the increase in number of fruit agriculture bases resulting in increasing staff costs.

The increase in finance costs by 18.2% to approximately RMB108.3 million was mainly attributable to the increase in overall bank and other borrowings in 2017.

Attributable mainly to the aforesaid, the Group's audited profit attributable to owners of the Company increased to approximately RMB145.1 million, representing an increase of 441.0% as compared with 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 2017, the Group's bank and other borrowings, bills payables and finance lease payables amounted to approximately RMB2,671.2 million (2016: RMB2,336.5 million), among which, approximately RMB1,522.8 million (2016: RMB1,365.7 million) were secured by way of charge on the Group's assets. Approximately RMB350.8 million were denominated in United States dollars ("USD") while approximately RMB2,320.4 million were denominated in RMB.

	2017 RMB'000	2016 RMB'000
Bank loans	**1,669,127**	1,514,892
Other borrowings	**445,748**	373,545
Loans from government	**43,138**	1,295
Bills payables	**208,200**	210,323
Finance lease payables	**304,961**	236,474
	2,671,174	2,336,529

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

As at 31 December 2017, the bank and cash balances including pledged bank deposits amounted to approximately RMB287.7 million (2016: RMB304.6 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 2017 the gearing ratio was 157.8% (2016: 166.4%).

Formation of non-wholly owned subsidiaries

(a) On 3 March 2017, 陝西超越農業有限公司 (Shaanxi Chaoyue Agriculture Company Limited*) ("Shaanxi Chaoyue"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Qingyang Ningyue Agreement") with Ningxian Junong Apple Industry Fund Professional Cooperative ("Ningxian Junong") in relation to the formation of 慶陽寧越現代農業有限公司 (Qingyang Ningyue Modern Agriculture Co., Ltd.*) ("Qingyang Ningyue") in Ning Xian, Gansu Province, the PRC with a registered capital of RMB78 million. Pursuant to the terms of the Qingyang Ningyue Agreement, each of Shaanxi Chaoyue and Ningxian Junong would contribute RMB46.8 million and RMB31.2 million, respectively, to the registered capital of Qingyang Ningyue which would be owned as to 60% by Shaanxi Chaoyue and 40% by Ningxian Junong. Qingyang Ningyue would be principally engaged in the modernised plantation and sale of apple and other fruits.

(b) On 12 October 2017, 鎮原縣海越農業有限公司 (Zhenyuan County Haiyue Agriculture Company Limited*) ("Zhenyuan Haiyue"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Zhenyuan Fuyue Agreement") with 鎮原縣扶貧開發投資有限公司 (Zhenyuan County Poverty Alleviation Development and Investment Company Limited*) ("ZPDI") in relation to the formation of 鎮原縣扶越農業有限公司 (Zhenyuan County Fuyue Agriculture Company Limited*) ("Zhenyuan Fuyue") in Zhenyuan County, Gansu Province, the PRC with a registered capital of RMB130 million. Pursuant to the terms of the Zhenyuan Fuyue Agreement, each of Zhenyuan Haiyue and ZPDI would contribute RMB78 million and RMB52 million, respectively, to the registered capital of Zhenyuan Fuyue which would be owned as to 60% by Zhenyuan Haiyue and 40% by ZPDI. Zhenyuan Fuyue would be principally engaged in the modernised extensive plantation and sale of apple and other fruits.

Decrease in ownership interest in subsidiaries without loss of control

(a) On 8 January 2017, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into an investment cooperation agreement (the "Investment Cooperation Agreement") with 彬縣城市建設投資開發有限責任公司 ("Bin County Urban Construction Investment Development Co., Ltd.*) ("Bin County Urban Construction"), to inject an additional capital of RMB40,000,000 into Bin County Haiyue Agriculture Co., Ltd. ("Bin County Haiyue"), a non-wholly owned subsidiary of the Group. Pursuant to the Investment Cooperation Agreement, Shaanxi Chaoyue and Bin County Urban Construction shall contribute additional capital of RMB24,000,000 and RMB16,000,000 respectively. Bin County Urban Construction had made full capital contribution and the Group received total cash capital contribution of RMB16,000,000 from the non-controlling shareholder. The Group's equity interest in Bin County Haiyue was diluted from 69.0% to approximately 66.8% and Bin County Haiyue continued to be an indirect non-wholly owned subsidiary of the Company.

* *For identification purpose only*

Management Discussion and Analysis

(b) On 15 February 2017, 陝西現代果業集團有限公司 (Shaanxi Modern Fruit Group Co., Ltd.*) ("Modern Fruit"), an indirect non-wholly owned subsidiary of the Company, entered into a capital raise agreement (the "Capital Raise Agreement") with 寧波信合聚力投資合夥企業(有限合夥) (Ningbo Xinhe Juli Investment Partnership Limited*) ("Ningbo Xinhe") and 寧波梅山保税港區信稷投資合夥企業(有限合夥) (Ningbo Meishan Baoshui Gang District Xinji Investment Partnership Limited*) ("Ningbo Meishan Xinji") to inject an additional capital of RMB50,000,000 into Modern Fruit. Pursuant to the Capital Raise Agreement, Ningbo Xinhe and Ningbo Meishan Xinji shall contribute additional capital of RMB300,000 and RMB49,700,000 respectively. The Group's equity interest in Modern Fruit was diluted from 65.8% to approximately 58.2% and Modern Fruit continued to be an indirect non-wholly owned subsidiary of the Company.

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

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	255,535	204,780
Bearer plants	2,764	18,208
Capital contribution to an associate	29,400	39,000
	287,699	261,988

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:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	1,071,973	702,892
Bearer plants	19,352	–
Prepaid land lease payments	41,401	36,869
Pledged bank deposits	120,168	123,661
Inventories	437,069	494,365
Trade and other receivables	94,472	48,078
	1,784,435	1,405,865

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2017 (2016: Nil).

* *For identification purpose only*

BUSINESS REVIEW

1. Juice concentrate and by-product processing

In 2017, a decrease in the production volumes of apple in Europe, a major apple producer in the world, due to adverse weather condition and coupled with the increase in prices of apple raw materials caused the price of apple juice in Europe increased significantly, which offered the PRC's apple juice a certain of price advantages in the International market for the year. The PRC's apple juice concentrate export volume increased by 29% from 506,000 tons in 2016 to approximately 655,000 tons in 2017. During the year 2017, the Group further controlled costs through comprehensive budget management, optimised its product mix and enhanced the comprehensive competitiveness of products which helped improve the fruit juice operation segment.

In 2017, the Group remained as the largest exporter of apple juice concentrate in the PRC, while export volumes to Russia, Europe, Australia as well as United States of America ("USA") and Canada rose by 30%, 60%, 87% and 23% as compared with last year, respectively. During the reporting period, the Group thoroughly explored the whole industry chain of apple processing, optimised production efficiency, diversified its product mix, improved product quality and strengthened cooperation with clients through quality services. On one hand, the Group put more efforts to develop pectin products and diversify its product offerings to improve the loyalty of quality customers and achieved a substantial increase in sales. On the other hand, minor fruit juice products of the Group, such as fructose, flavors, sweet potato juice and strawberry syrup gained market recognition that resulted in an additional increment of sales.

In connection to the domestic market, the Group extended into end-user markets downstream and launched "Eden View" series of high-end bottled juice, which received high recognition from increasingly diversified customers in the market and achieved continuous increase in sales. In response to the ever-growing consumer demand, the Group constructed a beverage production line in Qianyang, Baoji City. In addition, according to the market demand, the Group adjusted the type of bottled juice to meet various demands of consumers and consumer markets. In connection to products, the Group continued to expand business to consumer product field to improve product research and development capability.

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 and promote the layout in organic product industry.

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

Jam bottle Patent No. 201730103563.8
Bottle Patent No. 201730104323.X

The Group completed 4 applications of patents for invention and 3 applications of patents for appearance design, among which 2 patents were approved.

Prospect

In 2018, in light of the tight demand of pectin and the "Eden View" bottled juice in the existing market and in addition to consolidating existing apple juice concentrate business, the Group will strengthen the marketing of those two products to enhance profitability of the fruit processing segment, expand production capacity and seek innovation to sustain such enhancement and boost the operating profits of the Group.

Management Discussion and Analysis

2. 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, candy tomatoes and other products. The segment had set up seven business departments, such as temperate fruits, tropical fruits, berries, vegetables, agricultural facilities, tourism and fresh fruit marketing.

As at the end of 2017, the temperate fruits business department had established 39 modernised apple plantation bases and five plantation bases for pear, cherry and kiwi, which covered more than 60,000 mu in total. As for seedling cultivation technology, the Group actively conducted trial plantation of new rootstock and varieties of kiwi and cherry while improving mature apple seedling cultivation technology to reserve premium varieties for the whole agriculture segment. As for orchard establishment, the Group absorbed advanced theoretical experience at home and abroad, and combined with its actual production to increase output, improve quality and optimise the cost structure.

As at the end of 2017, the tropical fruits business department of the Group established nine orchards in Guangxi Province, Sichuan Province and Guizhou Province with a total area of over 20,000 mu. Meanwhile, the Group constructed a high-standard virus-free citruses seedling breeding center in Guangxi Province, with annual capacity of one million seedlings. The berries business department contracted a demonstrative berry farm in Pingchang County, Sichuan Province, with an area of 3,000 mu. The planting area of blueberries was enlarged to 3,350 mu. The Group applied several technical models, including seeding in summer and planting in winter, introducing new cultivation model of "June Berry", 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. The agricultural facilities business department completed the construction of a 50,000 square meters multi-span smart strawberry greenhouse in Tongchuan City, Shaanxi Province. Based on that, the Group successfully completed the construction of 120,000 square meters semi-closed smart candy tomatoes glass greenhouse in Pingliang City, Gansu Province and put into operation during the year. In addition, the Group also contracted and prepared to construct 200,000 square meters semi-closed smart glass greenhouse at the end of the year. Pure Twig strawberries (枝純草莓) and candy tomatoes produced by the agricultural facilities business department passed the certification in Hong Kong and Macau. The vegetables business department built four modernised baby carrot plantation bases and contracted exclusive cultivation and selling rights of two premium carrot varieties in the PRC and introduced a new brand "Parisian style cut carrots" (脆樂球) based on the "Sweetheart" (吮指甜心) brand.

The Group continued to explore, improve and commit to enhance the overall production level of its planting bases and product quality in respect of seedlings, cultivation techniques, production standards and post-harvest management. During the reporting period, the Group introduced premium varieties of USA and European apples, kiwi, berries and blueberries from Italy, Germany and Netherlands. Equipped with sound post-harvest management system of sorting, warehousing and cold chain logistics, sorting and processing system, and plant protection monitoring system, both the quality and quantity of agriculture products were enhanced and stable supply was secured throughout the year.

In 2017, the three major perishable products of the Group (apple, baby carrot and strawberry), with an addition to two high-end quality new products, namely facilities strawberry and candy tomato, recorded significant growth of sales as compared with last year. With regard to channel, leveraging on the full coverage of offline distributor channels, hypermarkets, national and regional fruit chain stores, wholesale markets and bakeries, the Group continued to develop other channels such as cinema and bars to gradually expand the marketing scope. The Group established 3D sales network with nationwide on-line platforms, including Tmall, Youzan, Yiguo, JD.com and Daily Fresh (每日優鮮). The Group established a sales system with five sales regions in Northern China, Eastern China, Southern China, Northwest and Southwest extended nationwide and matching with e-commerce companies in a combination of on-line and offline sales. During the reporting period, the Group forged long-term strategic cooperation with Jiawo Golden Wing Mau Group, Pagoda, Yonghui, Jinguoyuan, CP Lotus and Ren Ren Le, and successfully settled in emerging chain experience store of the perishable product industry, such as "Hemaxiansheng" (盒馬鮮生) and JD "7Fresh". In addition, the Group set up sales stores in the wholesale markets in various cities across the country to fill the blank of channel segments and enhance the Group's capability to sell fruits and vegetables in bulk. In brand building, the Group has established a brand structure based on the three major brands, namely the parent brand "Eden View", the high-end brand "Pure Twig" (枝純) and "Sweetheart" (吮指甜心), to enhance its brand awareness through brand marketing, exhibition and promotion, on-line publicity, and media coverage and provide strong support for product sales.

Prospect

In the future, the Group will continue to seek expansion in the international market, optimise team structure, increase technical and skill training for staff, and continuously improve product quality and management standards of the Group. With regard to channel expansion, the Group expects to 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, continuously seek for special channel and chain channel based on the original channels, and create a brand image with the support of high-end "Pure Twig" (枝純) and "Eden View" series of brands, so as to maximise the product value, brand value and market value.

Environmental, Social and Governance Report

1. INTRODUCTION

About this report

This report is the 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' (collectively the "Group") data 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 2017 to 31 December 2017.

2. ENVIRONMENTAL PROTECTION

The agricultural cultivation bases of the Company comply with the People's Republic of China (the "PRC") organic standards and the standards under the Global Good Agricultural Practices ("Global GAP") and China Good Agricultural Practices ("China GAP") and are equipped with advanced drip irrigation equipment and agricultural machinery. Compared with traditional agricultural cultivation, they can save water and fertilisers with the effects of improving the environment. The research and development, processing and sale of fruit and vegetable juice and related 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, natural gas, 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	32,709,777	46,795	8,640	4,116,798
Average energy consumption per ton of fruit juice	280	0.40	0.07	35

5) The Company conducts energy-saving technological transformation on major equipment based on their conditions every year and implements energy-saving measures. As of 31 December 2017, two of our plants started to use natural gas boilers.

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 (RO) 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 2,074,010 cubic meters in 2017. 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 "Waste Management Measures" to reduce emissions from sources and handle them properly to meet regulatory requirements.

Most of the polluted water is 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 2017, 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.

The Group's greenhouse production base is equipped with a disinfection and reuse system for water and fertiliser effluent to recycle greenhouse water and fertiliser waste and achieve zero emission of greenhouse water and fertiliser waste.

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 programmes and gradually phasing out fossil fuels with high pollution/high carbon emission.

Environmental, Social and Governance Report

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 2017, the total carbon emission from greenhouse gases is approximately 129,800 tons, approximately 75% are from the combustion of fossil fuels and 25% are from the use of electricity.

Through the setting up of hot water storage system and carbon dioxide recycling system, at the time when the natural gas boilers are heating up the greenhouse with natural gas, the greenhouse production base supplies the carbon dioxide generated to greenhouse crops for photosynthesis. This increases crop yields and achieves zero emission of carbon dioxide from natural gas boilers.

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 2017.

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 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 recyclers 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 recyclers 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 2017, the cleaning and treatment of all wastes meet local management requirements.

3. EMPLOYEES

Employment

In 2017, the Group integrated its development strategies to accurately and preciously hunt the core technology, strategic development, sales and other professionals and completed the building up of an elite team. On a global scale, through cooperation with outstanding agricultural colleges and universities, a large number of high-potential technical talents have been stocked, and the construction of a team of talents with high potentials has been completed.

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

Composition of employees

As at 31 December 2017, the Group has a total of 2,950 employees, approximately 99.6% of which are located in the PRC. The proportion of male and female employees is approximately 61:39. Approximately 42.6% of the total number of employees holds the bachelor's degree or above; approximately 13.6% of them holds the master's degree or above; while approximately 0.7% of them holds the doctoral degree or above. In 2017, the employee turnover ratio was approximately 13.7%

Health and safety

The Group guarantees the health and safety of employees in the working environment for long-term, regularly reviews relevant safety procedures and operation specifications 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 2017.

Development and training

The Group has conducted various forms of post-training education for different positions according to the needs of actual work duties so that employees can be qualified for their current job positions. In 2017, the per capita training time is 59 hours. For fresh graduates, the Group has launched the Green Apple Project, which included competency training, leadership training, corporate culture training, business training and so on, to strengthen the comprehensive practical ability of recent graduates. For new employees, the Group launched a systematic orientation training programme. The content involved the introduction to the Group's background, organisation structure, talent strategy, administrative office transaction processing and so on. For junior management, the Group has arranged short training sessions for them to enhance their management capabilities. For middle and senior management, the Group coordinated with world-leading business schools such as China Europe International Business School (CEIBS), Guanghua School of Management of the Peking University and Cheung Kong Graduate School of Business (CKGSB) to enhance the decision-making abilities and standards of middle and senior management. In 2017, the Group also commenced various trainings with different themes for every department and all employees. For employees from the Human Resources Department, the Group carried out trainings on the theme of "Handling Labour Laws Practices and Common Practices" to enhance employees' professional knowledge and basic skills. For employees from the juice concentrates business department, the Group conducted trainings in the area of plant extraction to deepen employees' understanding of industry background and enhance individual professional skills. For all employees of the Group, we commenced trainings on the theme of "Haisheng & Ali Cloud – From Agricultural Management to Agricultural Brain", which mainly aimed at introducing the cooperation project of Smart Agriculture and New Ecology – Agricultural Cloud to our employees. We also organised trainings on the themes of "Common Equity Issues" to clarify the scope of equity investment and financing and to better sort out equity investment and financing procedures. Training on the theme of "How to Sign a Contract" was commenced to enhance employees' understanding of the "Contract Law" so that they can sign all types of in accordance with laws and regulations, which maximises the rights of the Company. Training on the theme of "Common Legal Issues in Advertising" was commenced to strengthen employees' legal awareness in the aspect of advertising so as to reduce legal risk of the Company in external publicity. To sum up, the Group attaches great importance to the training of employees' competency, continuously improves the overall quality of employees and pays attention to the overall development of employees.

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 Group 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 2017. Employees actively participated in the activities, which further stimulated the awareness for team spirit and 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 2017. 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 immediately.

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 establishes 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 over 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 2017 shows that clients were satisfied with the Group. In February 2018, the Group was awarded the "Tomato Inspiration Award" in Berlin, Germany.

Anti-corruption

In 2017, 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 has developed modern agricultural industries in poor districts in various countries, and has driven farmers to alleviate poverty and increase income through different means such as land transfers and employee and technical trainings.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 57, 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 organised by China Europe International Business School. Mr. Gao represents 陝西海升果業發展股份有限公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.) ("Shaanxi Haisheng") which has been elected as vice president of Fruit Juice Association of China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會). Moreover, his personal accreditations include being elected in 1999 by New China News Agency Shaanxi Branch (新華通訊社陝西分社) and Shaanxi Public Personnel Editorial Committee (陝西新聞人物編委會) as the Turn of the Century Shaanxi Enterprise Capital Restructuring News Figure; as vice president of the China Beverage Industry Association (中國飲料工業協會果蔬汁分會) in 2001, as the vice president of the third Council meeting of the Xianyang Township Enterpreneurs Association (咸陽鄉鎮企業協會) in 2002, was awarded the honourary certificate for being one of the Ten Outstanding Enterpreneurs in the Development of Western China by the Election Committee of Outstanding Entrepreneurs of Western China Development (西部開發優秀創業者評審委員會) and Western China Forum Organisation 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 People's Republic of China (the "PRC") (陝西省第十屆人大代表).

Mr. Ding Li (丁力), aged 45, 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 18 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 42, 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.

Mr. Wang Linsong (王林松), aged 37, 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 the PRC in 2007.

Independent Non-executive Directors

Mr. Zhao Boxiang (趙伯祥), aged 73, was appointed as an independent non-executive Director in September 2005. He is also the chairman of remuneration committee and members of audit committee and nomination committee of the Company. 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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Li Yuanrui (李元瑞), aged 76, 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).

With effect from 6 July 2017, Mr. Li resigned as an independent non-executive Director of the Company in order to devote more time on his personal commitments.

Mr. Chan Bing Chung (陳秉中), aged 49, 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 20 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.

New Director to the Board

On 6 July 2017, the Board announced the appointment of Mr. Liu Zhongli as an independent non-executive Director of the Company with effect from 6 July 2017.

Mr. Liu Zhongli (劉忠立), aged 58, was appointed as an independent non-executive Director and members of audit committee, nomination committee and remuneration committee on 6 July 2017. Mr. Liu obtained a bachelor degree in economics with major in industrial economic management from the University of Shaanxi Finance and Economics. Mr. Liu has extensive knowledge in economic management and worked for Xian Institute of Statistics for 17 years from 1982 to 1999 for various positions including professor and head of Institute of Applied Statistic and Computing Research. Mr. Liu has also worked for China Securities Regulatory Commission Shaanxi Division from 1999 to 2016. Mr. Liu has 17 years of experiences in regulatory and listing of securities, corporate governance, takeover and reorganisation, securities investment and capital management.

Directors and Senior Management

Senior Management

Mr. Terence Sin Yuen Ko（單阮高）, aged 46, 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 Holdings 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. 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 (resigned on 6 July 2017), were absent from both the last AGM 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.

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 2017.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises seven Directors, including four executive Directors and three INEDs. 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 nine board meetings during the year under review. At the meetings, 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 eligible to attend**	**Attendance/Number of General Meetings eligible to attend**
Executive Directors		
Mr. Gao Liang *(Chairman)*	9/9	0/2
Mr. Ding Li	9/9	0/2
Mr. Zhao Chongjun	9/9	0/2
Mr. Wang Linsong	9/9	0/2
Independent non-executive Directors		
Mr. Zhao Boxiang	9/9	0/2
Mr. Liu Zhongli (appointed on 6 July 2017)	3/3	0/0
Mr. Li Yuanrui (resigned on 6 July 2017)	5/5	0/2
Mr. Chan Bing Chung	9/9	2/2

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

The corporate governance functions of the Company are performed by the Board. In 2017, the Board reviewed the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements, reviewed and monitored the training and continuous professional development of Directors and senior management, reviewed and monitored the code of conduct applicable to employees and directors as well as reviewed 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 AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (including those appointed for a specific team) shall be subject to retirement by rotation at least once every three years at the general meeting. There are no provisions relating to retirement of Directors upon reaching any age limit.

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement by rotation and re-election at AGM. 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 (resigned on 6 July 2017), Mr. Liu Zhongli (appointed on 6 July 2017) 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 two meetings during the year under review to review the terms of employment of the executive Directors, the remuneration of staff 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 eligible to attend
Independent non-executive Directors	
Mr. Zhao Boxiang *(Chairman)*	2/2
Mr. Chan Bing Chung	2/2
Mr. Liu Zhongli *(appointed on 6 July 2017)*	1/1
Mr. Li Yuanrui *(resigned on 6 July 2017)*	1/1

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 (resigned on 6 July 2017), Mr. Liu Zhongli (appointed on 6 July 2017) and Mr. Chan Bing Chung. One of them is an executive Director and the Chairman of the Board and the other four 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 three 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 eligible to attend
Executive Director	
Mr. Gao Liang *(Chairman)*	3/3
Independent non-executive Directors	
Mr. Zhao Boxiang	3/3
Mr. Chan Bing Chung	3/3
Mr. Liu Zhongli *(appointed on 6 July 2017)*	1/1
Mr. Li Yuanrui *(resigned on 6 July 2017)*	1/1

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 four members, namely Mr. Chan Bing Chung, Mr. Zhao Boxiang, Mr. Li Yuanrui (resigned on 6 July 2017) and Mr. Liu Zhongli (appointed on 6 July 2017). 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 Audit Committee Meetings eligible to attend
Independent non-executive Directors	
Mr. Chan Bing Chung *(Chairman)*	4/4
Mr. Zhao Boxiang	4/4
Mr. Liu Zhongli *(appointed on 6 July 2017)*	1/1
Mr. Li Yuanrui *(resigned on 6 July 2017)*	3/3

The following is a summary of the work performed by the audit committee in 2017:

- Review of the report from the external auditor on the audit of the final results of the Group for the year ended 31 December 2016;
- Review of the draft financial statements of the Group for the year ended 31 December 2016;
- Review of the draft results announcement and annual report of the Group for the year ended 31 December 2016;
- 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 adjustment to depreciation life of the Group's machines and equipment;
- Review of the relevant terms in relation to connected transactions;
- Review of the draft results announcement and interim report of the Group for the period ended 30 June 2017;
- 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 2016 and the unaudited interim results for the six months ended 30 June 2017 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 2017, the fees paid or payable in respect of audit and non-audit services provided by the Group's external auditor, RSM Hong Kong and other RSM network firms, amounted to RMB2,350,000 and RMB25,000 respectively.

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 37.

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 assets 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 2017, 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 Systems are generally appropriate.

COMPANY SECRETARY

As at 31 December 2017, 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 the annual report and the audited consolidated financial statements for the year ended 31 December 2017.

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 41(a) 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. Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report. A discussion on the Group's environmental policies and performance, the key relationships with its employees, customers and suppliers and others that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report". These sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39 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 2017.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB400.9 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 2017 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 RMB655.8 million as at 31 December 2017. 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

Independent non-executive Directors:
Mr. Zhao Boxiang
Mr. Liu Zhongli (appointed on 6 July 2017)
Mr. Li Yuanrui (resigned on 6 July 2017)
Mr. Chan Bing Chung

Pursuant to Article 87(1) of the Articles of Association, Mr. Ding Li, Mr. Wang Linsong and Mr. Zhao Boxiang will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Pursuant to Article 86(3) of the Articles of Association, Mr. Liu Zhongli (appointed on 6 July 2017) will retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. The independent non-executive Directors are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 18 to 20 of this annual report.

INDEPENDENCE 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 2017, Mr. Ding Li and Mr. Zhao Chongjun have entered into service agreements 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 2017. Each of Mr. Li Yuanrui (resigned on 6 July 2017) and Mr. Chan Bing Chung have entered into letters of appointment with the Company for an initial term of three years commencing from 8 April 2016. The Company intends to enter into new letters of appointment with Mr. Zhao Boxiang. Mr. Liu Zhongli has entered into a letters of appointment with the Company for an initial term of three years commencing from 6 July 2017.

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 TRANSACTIONS, 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 29, 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 2017. 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 2017.

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 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 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 might 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 1.1.2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2017
Directors and their respective associates								
Mr. Gao Liang	18.7.2014 (Note 1)	0.33	12,000,000	–	(8,600,000)	–	(3,400,000)	–
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)	–
	23.7.2015 (Note 2)	0.455	400,000	–	–	–	–	400,000
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	–	(16,044,000)	–	(5,344,000)	–
	23.7.2015 (Note 2)	0.455	34,356,000	–	–	–	–	34,356,000
			73,896,000	–	(27,140,000)	–	(8,996,000)	37,760,000

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 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 (Note 5)
Mr. Gao Liang	The Company	Beneficial owner	8,600,000 shares	0.67%
		Interest of controlled corporation	459,061,238 shares (Note 1)	35.59%
		Interest of spouse	5,424,660 shares (Note 2)	0.42%
			473,085,898 shares	36.68%
Mr. Ding Li	The Company	Beneficial owner	2,124,000 shares (Note 3)	0.16%
Mr. Zhao Chongjun	The Company	Beneficial owner	1,152,000 shares (Note 4)	0.09%
Mr. Wang Linsong	The Company	Beneficial owner	400,000 shares (Note 4)	0.03%

Notes:

1. As at 31 December 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 31 December 2017, the 5,424,660 shares (of which 700,000 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 5,424,660 shares held by Ms. Xie Haiyan.

3. Among the 2,124,000 shares, 1,152,000 shares are the underlying shares granted under the share option scheme of the Company.

4. These shares are the underlying shares granted under the share option scheme of the Company.

5. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2017 (i.e. 1,289,788,000 ordinary shares).

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 2017, 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 (Note 5)
Ms. Xie Haiyan	The Company	Interest of spouse	467,661,238 shares (Note 1)	36.26%
		Beneficial owner	5,424,660 shares (Note 2)	0.42%
			473,085,898 shares	36.68%
Think Honour	The Company	Beneficial owner	459,061,238 shares (Note 3)	35.59%
Tiandi Yihao Beverage Co., Ltd.	The Company	Interest of controlled corporation	227,996,000 shares (Note 4)	17.68%
Shenzhen Tiandi Win-Win Investment Management Co., Limited	The Company	Interest of controlled corporation	227,996,000 shares (Note 4)	17.68%
Tiandi Win-Win Investment Management Co., Limited	The Company	Beneficial owner	227,996,000 shares (Note 4)	17.68%

Notes:

1. Ms. Xie Haiyan is the spouse of Mr. Gao Liang. Ms. Xie Haiyan is deemed to be interested in the 467,661,238 shares in which Mr. Gao Liang is deemed to be interested by virtue of the SFO.

2. Among the 5,424,660 shares, 700,000 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.

5. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2017 (i.e. 1,289,788,000 ordinary shares).

Directors' Report

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Group had the following continuing connected transactions.

A non-wholly owned subsidiary of the Company, namely 陝西海升果業發展股份有限公司 (transliterated as Shaanxi Haisheng Fruit Juice Co., Ltd.*), ("Shaanxi Haisheng") 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. Further details of the above transaction was disclosed in the Company's announcement dated 6 April 2017.

On 6 April 2017, the Company, through Shaanxi Haisheng, enter into a framework agreement with Tiandi Yihao Beverage (the "2017 Framework Agreement"). Pursuant to the 2017 Framework Agreement, Tiandi Yihao Beverage agreed to purchase fruit juice concentrates from Shaanxi Haisheng, and Shanni Haisheng agreed to sell fruit juice concentrates from Tiandi Yihao. The 2017 Framework Agreement had been approved by the Shareholder at the extraordinary general meeting of the Company held on 8 June 2017.

Pursuant to the 2017 Framework Agreement, the maximum annual transaction amount payable by Tiandi Yihao Beverage are set out as follows:

Period	Annual Cap (RMB)
From 1 January 2017 to 31 December 2017	47,200,000
From 1 January 2018 to 31 December 2018	49,750,000
From 1 January 2019 to 31 December 2019	57,800,000

The actual transaction amount during the year ended 31 December 2017 was RMB18,112,000, which is within the annual cap stated above.

The Company's auditor was engaged to report on the Group's above continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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.

* *For identification only*

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 2017.

STAFF AND REMUNERATION POLICIES

As at 31 December 2017, the Group had 2,950 (2016: 2,093) 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 28.5% of the Group's total revenue and the largest customer accounted for approximately 7.4% of the Group's total revenue for the year 2017. The five largest suppliers in aggregate accounted for approximately 20.4% of the Group's total purchases and the largest supplier accounted for approximately 7.8% of the Group's total purchases for the year 2017.

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 2017 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.

CHARITABLE DONATIONS

The Group had no charitable donations during the year ended 31 December 2017.

AUDIT COMMITTEE

The Company's audit committee comprised three independent non-executive Directors, namely Mr. Chan Bing Chung (Chairman), Mr. Zhao Boxiang, Mr. Li Yuanrui (resigned on 6 July 2017) and Mr. Liu Zhongli (appointed on 6 July 2017), 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 2017.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 28 May 2018. 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 42 to the consolidated financial statements.

AUDITORS

The consolidated financial statements for the year ended 31 December 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. The consolidated financial statements for the years ended 31 December 2016 and 2017 were audited by RSM Hong Kong.

RSM Hong Kong retires and, being eligible, offers itself for re-appointment. 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
28 March 2018

Independent Auditor's Report

RSM

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 39 to 108, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 2017, the Group's current liabilities exceeded its current assets by approximately RMB920,404,000. 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.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment and bearer plants Refer to notes 5(d), 18 and 20 to the consolidated financial statements. As at 31 December 2017, included in the Group's consolidated statement of financial position were property, plant and equipment and bearer plants of approximately RMB2,394,742,000 and RMB933,491,000 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 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 judgement 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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 matter. 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
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	7	**1,382,676**	1,127,434
Cost of sales		**(1,090,905)**	(886,627)
Gross profit		**291,771**	240,807
Other income	8	**310,040**	149,131
Other gains and losses	9	**105,779**	58,206
Change in fair value due to biological transformation	22	**(16,084)**	(13,840)
Distribution and selling expenses		**(181,428)**	(128,602)
Administrative expenses		**(199,929)**	(157,320)
Other expenses		**(4,534)**	(7,320)
Profit from operations		**305,615**	141,062
Finance costs	11	**(108,298)**	(91,644)
Share of loss of an associate		**(8,678)**	(1,535)
Profit before tax		**188,639**	47,883
Income tax (expense)/credit	12	**(12,479)**	25
Profit for the year	13	**176,160**	47,908
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(580)**	394
Other comprehensive income for the year, net of tax		**(580)**	394
Total comprehensive income for the year		**175,580**	48,302
Profit for the year attributable to:			
Owners of the Company		**145,125**	26,825
Non-controlling interests		**31,035**	21,083
		176,160	47,908
Total comprehensive income for the year attributable to:			
Owners of the Company		**144,545**	27,219
Non-controlling interests		**31,035**	21,083
		175,580	48,302
Earnings per share	17		
Basic (cents per share)		**11.37**	2.12
Diluted (cents per share)		**11.35**	2.11

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**2,394,742**	2,115,312
Prepaid land lease payments	19	**122,631**	100,312
Bearer plants	20	**933,491**	604,631
Investment in an associate	21	**9,387**	8,465
Prepayments for acquisition of bearer plants		**17,464**	22,380
Deposits for acquisition of property, plant and equipment		**29,123**	21,596
Total non-current assets		**3,506,838**	2,872,696
CURRENT ASSETS			
Prepaid land lease payments	19	**18,564**	17,197
Biological assets	22	**32,611**	14,862
Inventories	23	**1,110,670**	1,079,545
Trade and other receivables	24	**398,973**	247,977
Due from related companies	25	**164**	164
Current tax assets		**–**	162
Pledged bank deposits	26	**120,168**	123,661
Bank and cash balances	26	**167,560**	180,941
Total current assets		**1,848,710**	1,664,509
CURRENT LIABILITIES			
Trade and other payables	27	**1,000,773**	824,011
Bills payables		**208,200**	210,323
Current tax liabilities		**68**	–
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings	28	**1,438,768**	1,079,115
Finance lease payables	29	**116,571**	72,565
Deferred government grants	30	**4,671**	1,029
Total current liabilities		**2,769,114**	2,187,106
Net current liabilities		**(920,404)**	(522,597)
Total assets less current liabilities		**2,586,434**	2,350,099

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
NON-CURRENT LIABILITIES			
Other liabilities	27	**20,462**	9,985
Bank and other borrowings	28	**719,245**	810,617
Finance lease payables	29	**188,390**	163,909
Deferred government grants	30	**125,621**	129,175
Deferred tax liabilities	31	**22,119**	15,296
Total non-current liabilities		**1,075,837**	1,128,982
NET ASSETS		**1,510,597**	1,221,117
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	32	**13,296**	13,061
Reserves	34	**1,143,898**	999,198
		1,157,194	1,012,259
Non-controlling interests		**353,403**	208,858
TOTAL EQUITY		**1,510,597**	1,221,117

Approved by the Board of Directors on 28 March 2018 and are signed on its behalf by:

Gao Liang	**Zhao Chongjun**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	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 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	–	–	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 and 1 January 2017	13,061	203,214	7,160	258,722	(42)	191,756	(9,128)	347,516	1,012,259	208,858	1,221,117
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(580)**	**–**	**–**	**145,125**	**144,545**	**31,035**	**175,580**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**40,150**	**40,150**
Change in ownership interest in subsidiaries without loss of control	**–**	**–**	**–**	**–**	**–**	**–**	**(7,360)**	**–**	**(7,360)**	**73,360**	**66,000**
Shares issued under share option scheme (note 32(a))	**235**	**9,624**	**(2,109)**	**–**	**–**	**–**	**–**	**–**	**7,750**	**–**	**7,750**
Lapse of share options	**–**	**–**	**(699)**	**–**	**–**	**–**	**–**	**699**	**–**	**–**	**–**
Appropriations from retained profits	**–**	**–**	**–**	**–**	**–**	**4,927**	**–**	**(4,927)**	**–**	**–**	**–**
Changes in equity for the year	**235**	**9,624**	**(2,808)**	**–**	**(580)**	**4,927**	**(7,360)**	**140,897**	**144,935**	**144,545**	**289,480**
At 31 December 2017	**13,296**	**212,838**	**4,352**	**258,722**	**(622)**	**196,683**	**(16,488)**	**488,413**	**1,157,194**	**353,403**	**1,510,597**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**188,639**	47,883
Adjustments for:			
Depreciation of property, plant and equipment	13	**102,881**	107,620
Depreciation of bearer plants	20	**2,348**	1,193
Write off of property, plant and equipment	13	**3,467**	1,574
Write off of inventories	13	**708**	–
Change in fair value due to biological transformation	22	**16,084**	13,840
Finance costs	11	**108,298**	91,644
Interest income	8	**(1,504)**	(779)
Amortisation of deferred government grants	30	**(70,470)**	(1,050)
Loss/(gain) on disposals of property, plant and equipment	9	**709**	(17,359)
Gain on disposals of saplings	9	**(95,153)**	(61,797)
Reversal of allowance for inventories	13	**(7,522)**	–
Allowance for trade receivables	13	**–**	2,051
Equity-settled share-based payments		**–**	1,552
Amortisation of prepaid land lease payments	13	**9,405**	4,579
Share of loss of an associate		**8,678**	1,535
Operating profit before working capital changes		**266,568**	192,486
Increase in inventories		**(24,333)**	(74,776)
(Increase)/decrease in trade and other receivables		**(170,312)**	37,367
Increase in biological assets		**(33,833)**	(22,160)
Increase in trade and other payables		**195,943**	225,932
(Decrease)/increase in bills payables		**(2,123)**	184,741
Cash generated from operations		**231,910**	543,590
Income taxes paid		**(5,428)**	(816)
Net cash generated from operating activities		**226,482**	542,774
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(402,880)**	(538,336)
Purchases of bearer plants		**(306,353)**	(252,769)
Purchases of prepaid land lease payments		**(64,009)**	(34,856)
Decrease/(increase) in pledged bank deposits		**3,493**	(99,660)
Interest received		**1,504**	779
Government grants received		**70,558**	95,883
Proceeds from disposals of property, plant and equipment		**1,280**	30,432
Proceeds from disposals of saplings		**160,728**	83,507
Capital contribution to an associate		**(9,600)**	(10,000)
Net cash used in investing activities		**(545,279)**	(725,020)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**1,942,045**	2,486,344
Repayment of bank and other borrowings	**(1,683,249)**	(2,187,020)
Proceeds from issue of shares	**7,750**	–
Repayment of finance lease payables	**(95,963)**	(52,294)
Capital contributions from non-controlling interests	**106,150**	40,310
Proceeds from finance leases, net of transaction costs	**173,428**	82,450
Security deposits placed	**(12,600)**	(6,460)
Finance lease charges paid	**(15,221)**	(10,435)
Interest paid on bank and other borrowings	**(114,005)**	(90,359)
Net cash generated from financing activities	**308,335**	262,536
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(10,462)**	80,290
Effect of foreign exchange rate changes	**(2,919)**	391
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**180,941**	100,260
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**167,560**	180,941
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**167,560**	180,941

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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 41(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 2017 the Group had net current liabilities of RMB920,404,000. 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 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 and other 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 and other financial institutions 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.

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 2017. None of these impact on the accounting policies of the Group. However, the Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 36.

(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 2017. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 9 Financial Instruments	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

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. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

IFRS 9 Financial Instruments

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

(a) Impairment

IFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. Based on the preliminary assessment, the Group does not expect the application of the expected credit loss model will have a significant impact.

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 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18 Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11 Construction contracts, which specifies the accounting for revenue from construction contracts.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained profits as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of manufactured goods and trading of raw materials is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

For contracts with customers in which the sales of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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

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

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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. 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 38, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to RMB1,961,943,000 as at 31 December 2017. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

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 area 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

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).

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Associates (Continued)

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) Translation on consolidation

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	3.33%-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 IAS 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 JUDGEMENT AND KEY ESTIMATES

Critical judgement in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgement that has 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.

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.

In June 2017, following a review of the actual and planned usage of the machineries of the Group, the directors, based on the actual conditions of the Group's machineries, reassessed and revised the estimated useful lives of certain of the Group's machineries. The change in the estimated useful lives of machineries are accounted for as change in accounting estimates and applied prospectively with effect from 1 July 2017. As a result of this change, depreciation expense and the net carrying value of property, plant and equipment decreased and increased by approximately RMB18,785,000 and RMB18,785,000 respectively for the year ended 31 December 2017, and is expected to decrease and increase by approximately RMB38,138,000 and RMB38,138,000 for the year ending 31 December 2018.

The carrying amount of property, plant and equipment as at 31 December 2017 was RMB2,394,742,000 (2016: RMB2,115,312,000).

(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 2017 was RMB933,491,000 (2016: RMB604,631,000).

5. CRITICAL JUDGEMENT 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 RMB12,479,000 (2016: RMB25,000) was charged (2016: credited) 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 CGUs 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 CGUs and suitable discount rates in order to calculate the present value. The value in use of respective CGUs were higher than the carrying amounts of property, plant and equipment and bearer plants of RMB2,394,742,000 and RMB933,491,000 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 2017, accumulated impairment loss for bad and doubtful debts amounted to RMB7,158,000 (2016: RMB7,158,000).

(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. Reversal of allowance for slow-moving inventories of approximately RMB7,522,000 (2016: RMBNil) was made for the year ended 31 December 2017.

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.

Certain subsidiaries of the Company have foreign currency sales and purchases transactions and bank borrowings, which expose the Group to foreign currency risk. Approximately 34% (2016: 33%) of the Group's sales by these subsidiaries are denominated in foreign currency, USD.

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

	2017 **RMB'000**	2016 RMB'000
Assets		
Trade and other receivables	**88,463**	9,442
Bank and cash balances	**22,065**	27,507
	110,528	36,949
Liabilities		
Trade and other payables	**(34,223)**	(16,896)
Bank and other borrowings	**(305,107)**	(255,161)
	(339,330)	(272,057)
Net exposure	**(228,802)**	(235,108)

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

The following table details the Group's sensitivity to a 5% (2016: 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% (2016: 5%) against USD and vice versa.

	2017 **RMB'000**	2016 RMB'000
Profit for the year	**11,440**	11,755

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 34% (2016: 44%) of the total trade receivables as at 31 December 2017. 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 2017						
Trade and other payables	**N/A**	**976,392**	**–**	**–**	**976,392**	**976,392**
Bills payables	**N/A**	**208,200**	**–**	**–**	**208,200**	**208,200**
Dividend payable to non-controlling shareholders of a subsidiary	**N/A**	**63**	**–**	**–**	**63**	**63**
Bank and other borrowings						
– fixed-rate	**6.03**	**922,324**	**120,854**	**265,434**	**1,308,612**	**1,214,128**
– variable-rate	**5.16**	**584,688**	**195,789**	**232,833**	**1,013,310**	**943,885**
Finance lease obligations	**5.30**	**134,806**	**128,022**	**80,749**	**343,577**	**304,961**
		2,826,473	**444,665**	**579,016**	**3,850,154**	**3,647,629**
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

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 2017, 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 RMB5,191,000 (2016: RMB2,870,000) 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 2017

	2017 RMB'000	2016 RMB'000
Financial assets:		
Loan and receivables (including cash and cash equivalents)	**548,519**	444,218
Financial liabilities:		
Financial liabilities at amortised cost	**3,342,668**	2,904,419

(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 2017			
Finance lease payables	**344,021**	**(39,060)**	**304,961**
As at 31 December 2016			
Finance lease payables	262,934	(26,460)	236,474

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.

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7. REVENUE

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

	2017 RMB'000	2016 RMB'000
Sales of fruit juice concentrate and related products	**1,293,046**	1,077,676
Sales of apples and other fruits	**89,630**	49,758
	1,382,676	1,127,434

8. OTHER INCOME

	2017 RMB'000	2016 RMB'000
Interest income on bank deposits	**1,504**	779
Total interest income for financial assets that are not at fair value through profit or loss	**1,504**	779
PRC government grants (note)	**232,545**	142,720
Amortisation of deferred government grants (note 30)	**70,470**	1,050
Others	**5,521**	4,582
	310,040	149,131

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

	2017 RMB'000	2016 RMB'000
Gain on disposals of saplings	**95,153**	61,797
Net foreign exchange gains/(losses)	**10,439**	(21,730)
(Loss)/gain on disposals of property, plant and equipment	**(709)**	17,359
Other gain	**896**	780
	105,779	58,206

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.

10. SEGMENT INFORMATION (Continued)

Information about operating segment profit or loss:

	Fruit juice operation		Agriculture operation		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Revenue from external customers	**1,293,046**	1,077,676	**89,630**	49,758	**1,382,676**	1,127,434
Intersegment revenue	**334**	594	**1,979**	4,616	**2,313**	5,210
Reportable segment revenue	**1,293,380**	1,078,270	**91,609**	54,374	**1,384,989**	1,132,644
Less: intersegment revenue					**(2,313)**	(5,210)
Consolidated revenue					**1,382,676**	1,127,434
Segment results	**100,589**	71,215	**(59,810)**	(36,553)	**40,779**	34,662
Other income					**310,040**	149,131
Share of loss of an associate					**(8,678)**	(1,535)
Unallocated amounts:						
Other gains and losses					**7**	(1,709)
Administrative expenses					**(45,211)**	(41,022)
Finance costs					**(108,298)**	(91,644)
Consolidated profit before tax					**188,639**	47,883
Depreciation of property, plant and equipment	**81,595**	96,416	**15,684**	5,620	**97,279**	102,036
Depreciation of bearer plants	**–**	–	**2,348**	1,193	**2,348**	1,193
Loss/(gain) on disposals of property, plant and equipment	**415**	(17,377)	**294**	18	**709**	(17,359)
Amortisation of prepaid land lease payments	**3,272**	2,040	**5,563**	2,539	**8,835**	4,579
Change in fair value due to biological transformation	**–**	–	**16,084**	13,840	**16,084**	13,840
Gain on disposals of saplings	**–**	–	**(95,153)**	(61,797)	**(95,153)**	(61,797)
Reversal of allowance for inventories	**(7,522)**	–	**–**	–	**(7,522)**	–
Write off of inventories	**708**	–	**–**	–	**708**	–
Allowance for trade receivables	**–**	–	**–**	2,051	**–**	2,051
Write off of property, plant and equipment	**2,798**	1,109	**669**	465	**3,467**	1,574

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	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States of America (the "USA")	**378,607**	403,658	**200**	36
Canada	**133,049**	94,594	**–**	–
PRC	**405,034**	251,722	**3,506,638**	2,872,660
South Africa	**97,946**	159,276	**–**	–
Saudi Arabia	**21,644**	28,084	**–**	–
Japan	**83,849**	93,102	**–**	–
Australia	**52,057**	23,018	**–**	–
Russia	**78,705**	39,161	**–**	–
Germany	**27,483**	12,416	**–**	–
Netherlands	**20,175**	–	**–**	–
Poland	**32,921**	–	**–**	–
Others	**51,206**	22,403	**–**	–
	1,382,676	1,127,434	**3,506,838**	2,872,696

Revenue from major customer:

	2017	2016
	RMB'000	RMB'000
Fruit juice operation segment		
Customer A (note)	**N/A**	159,276

Note: Customer A did not contribute 10% or more than 10% of the total revenue of the Group during the year ended 31 December 2017.

Information about major products:

	2017	2016
	RMB'000	RMB'000
Apple juice	**1,008,090**	824,851
Other juice	**191,352**	210,314
Fresh fruits	**89,630**	49,758
Others	**93,604**	42,511
	1,382,676	1,127,434

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11. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Finance lease charges	**18,843**	13,185
Interest on bank and other borrowings	**127,043**	86,953
Total borrowing costs	**145,886**	100,138
Amount capitalised	**(37,588)**	(8,494)
	108,298	91,644

12. INCOME TAX EXPENSE/(CREDIT)

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**2,959**	203
Other jurisdiction	**281**	271
Under/(over)-provision in prior years	**2,416**	(2,272)
	5,656	(1,798)
Deferred tax (note 31)	**6,823**	1,773
	12,479	(25)

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 2016 and 2017. 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 2016 and 2017, 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 2016 and 2017, 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. ("Haisheng US"), 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 EXPENSE/(CREDIT) (Continued)

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

	2017 RMB'000	2016 RMB'000
Profit before tax	**188,639**	47,883
Tax at the PRC EIT rate of 25% (2016: 25%)	**47,160**	11,971
Tax effect of income that is not taxable	**(60,816)**	(26,162)
Tax effect of expenses that are not deductible	**19,282**	24,358
Tax effect of tax losses not recognised	**41,533**	24,438
Tax effect of share of loss of an associate	**2,170**	384
Tax effect of utilisation of tax losses not previously recognised	**(6,890)**	(6,757)
Tax exemption and tax concession	**(40,449)**	(27,544)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**1,250**	(214)
Under/(over)-provision in prior years	**2,416**	(2,272)
Withholding tax	**6,823**	1,773
Income tax expense/(credit)	**12,479**	(25)

13. PROFIT FOR THE YEAR

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

	2017 RMB'000	2016 RMB'000
Auditors' remuneration	**2,350**	2,500
Amortisation of prepaid land lease payments	**40,323**	29,671
Less: amount capitalised into cost of bearer plants/biological assets	**(30,918)**	(25,092)
	9,405	4,579
Depreciation of property, plant and equipment		
– owned assets	**76,356**	83,122
– assets under finance lease	**39,658**	30,181
	116,014	113,303
Less: amount capitalised into cost of bearer plants/biological assets	**(13,133)**	(5,683)
	102,881	107,620
Operating lease charges for land and buildings	**4,238**	3,903
Depreciation of bearer plants	**2,348**	1,193
Reversal of allowance for inventories (included in cost of sales)	**(7,522)**	–
Write off of inventories	**708**	–
Allowance for trade receivables (included in other expenses)	**–**	2,051
Cost of inventories sold	**1,090,905**	886,627
Loss/(gain) on disposals of property, plant and equipment	**709**	(17,359)
Write off of property, plant and equipment	**3,467**	1,574

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13. PROFIT FOR THE YEAR (Continued)

There is a reversal of allowance for inventories of approximately RMB7,522,000 (2016: RMBNil) for the year, being the result of persistent effort of the management to improve the ageing of inventories and certain slow-moving inventories are sold during the year.

14. EMPLOYEE BENEFITS EXPENSE

	2017 **RMB'000**	2016 RMB'000
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**270,270**	171,460
Equity-settled share-based payments	**–**	1,416
Retirement benefit scheme contributions	**15,985**	11,316
Total staff costs	**286,255**	184,192
Less: staff costs capitalised into inventories	**(44,591)**	(39,480)
Less: staff costs capitalised into biological assets	**(7,777)**	–
Less: staff costs capitalised into cost of bearer plants	**(70,640)**	(42,343)
	163,247	102,369

The five highest paid individuals in the Group during the year included three (2016: three) directors whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining two (2016: two) individuals are set out below:

	2017 **RMB'000**	2016 RMB'000
Salaries, bonuses and allowances	**2,003**	1,000
Equity-settled share-based payments	**–**	90
Retirement benefit scheme contributions	**130**	68
	2,133	1,158

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$1,000,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	2	2

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	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	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")	**–**	–	**926**	909	**220**	220	**35**	34	**–**	–	**1,181**	1,163
Mr. Zhang Xiang (note (i))	**–**	–	**–**	284	**–**	110	**–**	20	**–**	45	**–**	459
Mr. Ding Li	**–**	–	**459**	399	**120**	84	**35**	34	**–**	45	**614**	562
Mr. Zhao Chongjun	**–**	–	**439**	399	**100**	84	**35**	34	**–**	45	**574**	562
Mr. Wang Linsong (note (ii))	**–**	–	**339**	138	**70**	–	**35**	14	**–**	–	**444**	152
	–	–	**2,163**	2,129	**510**	498	**140**	136	**–**	135	**2,813**	2,898
Independent non-executive directors												
Mr. Zhao Boxiang	**60**	60	**–**	–	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Li Yuanrui (note (iii))	**30**	60	**–**	–	**–**	–	**–**	–	**–**	–	**30**	60
Mr. Chan Bing Chung	**60**	60	**–**	–	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Liu Zhongli (note (iv))	**30**	–	**–**	–	**–**	–	**–**	–	**–**	–	**30**	–
	180	180	**–**	–	**–**	–	**–**	–	**–**	–	**180**	180
	180	180	**2,163**	2,129	**510**	498	**140**	136	**-**	135	**2,993**	3,078

Notes:
(i) Resigned on 10 August 2016.
(ii) Appointed on 10 August 2016.
(iii) Resigned on 6 July 2017.
(iv) Appointed on 6 July 2017.

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 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 year ended 31 December 2016 was included in the above directors' emoluments disclosures.

Neither the chief executive nor any of the directors waived any emoluments during the year (2016: 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 2017 (2016: Nil).

17. EARNINGS PER SHARE

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

	2017 RMB'000	2016 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**145,125**	26,825

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,276,801,064**	1,262,648,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**2,286,019**	6,560,922
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,279,087,083**	1,269,208,922

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 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 and 1 January 2017	1,097,250	1,120,255	371,265	22,359	38,560	246,752	2,896,441
Additions	14,326	19,898	62,403	6,957	5,386	291,937	400,907
Transfer	59,134	45,849	78,293	1,607	4,010	(188,893)	–
Disposals	–	(3,302)	(601)	–	(23)	–	(3,926)
Write off	(755)	(4,626)	(535)	(967)	(395)	–	(7,278)
Exchange differences	–	–	–	–	(32)	–	(32)
At 31 December 2017	1,169,955	1,178,074	510,825	29,956	47,506	349,796	3,286,112
Accumulated depreciation and impairment							
At 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 and 1 January 2017	178,960	568,494	13,386	3,744	16,545	–	781,129
Charge for the year	29,226	56,885	19,984	3,657	6,262	–	116,014
Disposals	–	(1,800)	(125)	–	(12)	–	(1,937)
Write off	(53)	(2,691)	(46)	(804)	(217)	–	(3,811)
Exchange differences	–	–	–	–	(25)	–	(25)
At 31 December 2017	208,133	620,888	33,199	6,597	22,553	–	891,370
Carrying amount							
At 31 December 2017	961,822	557,186	477,626	23,359	24,953	349,796	2,394,742
At 31 December 2016	918,290	551,761	357,879	18,615	22,015	246,752	2,115,312

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) At 31 December 2017 the carrying amount of buildings and machinery pledged as security for the Group's bank borrowings and finance lease payables amounted to RMB538,853,000 (2016: RMB414,830,000) and RMB533,120,000 (2016: HK$288,062,000) respectively.

(b) At 31 December 2017 the carrying amount of buildings and machinery held by the Group under finance leases amounted to RMB149,547,000 (2016: RMB101,950,000) and RMB407,980,000 (2016: RMB280,091,000) respectively.

(c) During the year the Group changed the estimated useful lives of certain machineries from 19 years to 30 years. As a result of this change in accounting estimate, the depreciation charge decreased by approximately RMB18,785,000 for the year ended 31 December 2017 and is expected to decrease by approximately RMB38,138,000 for the year ending 31 December 2018.

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:

	2017 **RMB'000**	2016 RMB'000
Current assets	**18,564**	17,197
Non-current assets	**122,631**	100,312
	141,195	117,509
Analysed as:		
Prepaid land lease payments for		
– bearer plants	**36,582**	23,524
– manufacturing plants and offices	**104,613**	93,985
	141,195	117,509

The prepaid land lease payments are amortised on a straight-line basis over 3 to 65 years.

At 31 December 2017 the carrying amount of prepaid land lease payments pledged as security for the Group's bank borrowings amounted to RMB41,401,000 (2016: RMB36,869,000).

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 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)
At 31 December 2016 and 1 January 2017	504,530	13,845	–	4,841	762	14,297	25,543	8,370	1,353	573,541
Additions	257,692	5,567	–	35,782	522	5,751	63,577	6,895	1,540	377,326
Transfer to mature trees	(19,597)	(6,703)	–	–	–	–	–	–	–	(26,300)
Disposals	(46,174)	–	–	–	–	(63)	–	–	–	(46,237)
A t 31 December 2017	696,451	12,709	–	40,623	1,284	19,985	89,120	15,265	2,893	878,330
Carrying amount										
At 31 December 2017	696,451	12,709	–	40,623	1,284	19,985	89,120	15,265	2,893	878,330
At 31 December 2016	504,530	13,845	–	4,841	762	14,297	25,543	8,370	1,353	573,541
Mature trees										
Cost										
At 1 January 2016	5,782	2,659	528	151	3,193	–	–	–	–	12,313
Transfer from infant trees	20,872	–	–	–	–	–	–	–	–	20,872
At 31 December 2016 and 1 January 2017	26,654	2,659	528	151	3,193	–	–	–	–	33,185
Additions	141	–	–	–	–	–	–	–	–	141
Transfer from infant trees	19,597	6,703	–	–	–	–	–	–	–	26,300
Disposals	–	–	(22)	–	–	–	–	–	–	(22)
At 31 December 2017	46,392	9,362	506	151	3,193	–	–	–	–	59,604
Accumulated depreciation										
At 1 January 2016	96	132	29	29	616	–	–	–	–	902
Charge for the year	869	131	13	8	172	–	–	–	–	1,193
At 31 December 2016 and 1 January 2017	965	263	42	37	788	–	–	–	–	2,095
Charge for the year	1,730	425	13	8	172	–	–	–	–	2,348
At 31 December 2017	2,695	688	55	45	960	–	–	–	–	4,443
Carrying amount										
At 31 December 2017	43,697	8,674	451	106	2,233	–	–	–	–	55,161
At 31 December 2016	25,689	2,396	486	114	2,405	–	–	–	–	31,090
Total carrying amount										
At 31 December 2017	740,148	21,383	451	40,729	3,517	19,985	89,120	15,265	2,893	933,491
At 31 December 2016	530,219	16,241	486	4,955	3,167	14,297	25,543	8,370	1,353	604,631

20. BEARER PLANTS (Continued)

At 31 December 2017 the carrying amount of bearer plants pledged as security for the Group's bank borrowings amount to RMB19,352,000 (2016: RMBNil).

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

	2017	2016
Infant trees	**17,782,451**	12,798,025
Mature trees	**1,061,183**	334,128

21. INVESTMENT IN AN ASSOCIATE

	2017 **RMB'000**	2016 RMB'000
Unlisted investment:		
Share of net assets	**9,387**	8,465

Details of the Group's associate at 31 December 2017 are as follows:

Name	**Place of incorporation/ registration**	**Particular of issued share capital**	**Percentage of ownership interest/ profit sharing** **2017**	2016	**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 RMB40,000,000 (2016: RMB20,200,000)	**49%**	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	
	2017	2016
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%/43%**	49%/43%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**15,972**	2,638
Current assets	**15,776**	18,862
Current liabilities	**(12,591)**	(4,225)
Net assets	**19,157**	17,275
Group's share of carrying amount of interests	**9,387**	8,465
Year ended 31 December:		
Revenue	**1,364**	5
Loss for the year	**(17,918)**	(2,925)
Total comprehensive income for the year	**(17,918)**	(2,925)

As at 31 December 2017, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to RMB12,472,000 (2016: 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	Tomato RMB'000	Total RMB'000
At 1 January 2016	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 and 1 January 2017 (note (b))	2,929	552	11,381	–	14,862
Increase due to cultivation	20,846	11,442	52,754	15,627	100,669
Change in fair value due to biological transformation (note (a))	(9,458)	5,876	(12,358)	(144)	(16,084)
Transfer of harvested fresh fruit bunches to inventories	(10,468)	(16,486)	(35,445)	(4,437)	(66,836)
At 31 December 2017 (note (b))	3,849	1,384	16,332	11,046	32,611

Notes:

(a) During the year, the Group harvested 21,670 (2016: 13,914) 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. Apples are harvested annually from April to November and other fruits are harvested throughout the year. 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 2016 and 2017.

The carrying value of biological assets as at 31 December 2016 and 2017 represented cultivation costs incurred including fertilisers, pesticides, labour costs and rentals of farmland.

23. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials and consumables	**132,710**	62,168
Work in progress	**180,356**	206,368
Finished goods	**797,604**	811,009
	1,110,670	1,079,545

There is a reversal of allowance for inventories of approximately RMB7,522,000 (2016: RMBNil) for the year, being the result of persistent effort of the management to improve the ageing of inventories and certain slow-moving inventories are sold during the year.

The carrying amount of inventories pledged as security for banking facilities granted to the Group amounted to RMB437,069,000 (2016: RMB494,365,000).

24. TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	**223,403**	98,298
Less: allowance for doubtful debts	**(7,158)**	(7,158)
	216,245	91,140
Bills receivables	**1,424**	–
Value added tax recoverable and other tax recoverable (note)	**71,242**	57,546
Receivables from disposals of saplings	**12,863**	32,179
Advances to suppliers	**15,893**	10,577
Other receivables, deposits and prepayments (note)	**81,306**	56,535
	398,973	247,977

Note: As at 31 December 2017, value added tax recoverable and deposit and other receivables of RMB21,654,000 (2016: RMB8,092,000) and RMB167,000 (2016: RMBNil) were pledged as securities for finance lease payables and bank and other borrowings respectively as detailed in note 29 and note 28.

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.

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24. TRADE AND OTHER RECEIVABLES (Continued)

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

	2017 RMB'000	2016 RMB'000
0 to 90 days	**206,473**	88,090
91 to 180 days	**6,164**	2,383
181 to 365 days	**1,916**	392
Over 1 year	**1,692**	275
	216,245	91,140

As at 31 December 2017, trade receivables of approximately RMB72,651,000 (2016: RMB39,986,000) were pledged to a bank to secure bank borrowings as set out in note 28 to the consolidated financial statements.

As at 31 December 2017, an allowance was made for estimated irrecoverable trade receivables of approximately RMB7,158,000 (2016: RMB7,158,000).

Reconciliation of allowance for trade receivables:

	2017 RMB'000	2016 RMB'000
At 1 January	**7,158**	5,107
Allowance for the year	**–**	2,051
At 31 December	**7,158**	7,158

As of 31 December 2017, trade receivables of RMB43,107,000 (2016: RMB19,272,000) 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:

	2017 RMB'000	2016 RMB'000
Overdue by:		
Up to 3 months	**35,380**	18,708
3 to 6 months	**5,468**	310
6 months to 1 year	**1,531**	88
Over 1 year	**728**	166
	43,107	19,272

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:

	2017 RMB'000	2016 RMB'000
USD	**159,971**	49,428
RMB	**56,274**	41,712
Total	**216,245**	91,140

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 40(a) to the consolidated financial statements.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2017, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to RMB117,262,000 (2016: RMB116,958,000) and RMB135,239,000 (2016: RMB151,840,000) 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 2017, the pledged bank deposits of RMB120,168,000 (2016: RMB123,661,000) carried prevailing interest rate of 0.35% (2016: 0.35%) per annum and bank balances of RMB167,267,000 (2016: RMB180,470,000) carried prevailing interest rate of 0.35% (2016: 0.35%) per annum.

The pledged bank deposits of RMB117,259,000 (2016: RMB116,955,000) are used to secure the bills payables which is payable within 6 to 12 months (2016: 3 to 6 months). Accordingly, the pledged bank deposits are classified as current assets.

27. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables	**693,768**	552,418
Payables for acquisition of property, plant and equipment	**148,806**	169,170
Advances from customers	**17,533**	14,386
Accrued salaries	**20,027**	15,594
Accrued interest	**5,717**	4,534
Value added tax and other tax payables	**6,848**	4,431
Other liabilities	**20,462**	9,985
Other payables and accruals	**108,074**	63,478
	1,021,235	833,996
Less: other liabilities – non-current portion	**(20,462)**	(9,985)
	1,000,773	824,011

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:

	2017 RMB'000	2016 RMB'000
0 to 90 days	**504,340**	489,580
91 to 180 days	**109,263**	17,747
181 to 365 days	**43,696**	30,156
Over 1 year	**36,469**	14,935
	693,768	552,418

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

	2017 RMB'000	2016 RMB'000
USD	**36,395**	17,853
RMB	**657,373**	534,565
Total	**693,768**	552,418

28. BANK AND OTHER BORROWINGS

	2017 RMB'000	2016 RMB'000
Bank loans	**1,669,127**	1,514,892
Other borrowings (note (a))	**445,748**	373,545
Loans from government (note (b))	**43,138**	1,295
	2,158,013	1,889,732
Analysed as:		
Secured	**1,009,623**	918,858
Unsecured	**99,782**	69,348
Guaranteed	**1,048,608**	901,526
	2,158,013	1,889,732
Analysed as:		
Fixed-rate borrowings	**1,214,128**	1,301,983
Variable-rate borrowings	**943,885**	587,749
	2,158,013	1,889,732

28. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) 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 20.00% (2016: 2.38% to 10.00%) per annum.

(b) The loans from government was unsecured and borne interest ranging from 4.65% to 10.00% (2016: 4.65%) per annum.

The borrowings are repayable as follows:

	2017 **RMB'000**	2016 RMB'000
On demand or within one year	**1,438,768**	1,079,115
More than one year, but not exceeding two years	**290,513**	510,400
More than two years, but not more than five years	**428,732**	300,217
	2,158,013	1,889,732
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,438,768)**	(1,079,115)
Amount due for settlement after 12 months	**719,245**	810,617

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

	RMB **RMB'000**	**USD** **RMB'000**	**Total** **RMB'000**
2017			
Bank loans	**1,318,280**	**350,847**	**1,669,127**
Other borrowings	**445,748**	**–**	**445,748**
Loans from government	**43,138**	**–**	**43,138**
	1,807,166	**350,847**	**2,158,013**
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

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28. BANK AND OTHER BORROWINGS (Continued)

The interest rates at 31 December were as follows:

	2017	2016
Fixed-rate borrowings	2.38% to 20.00%	2.38% to 10.00%
Variable-rate borrowings	3.49% to 7.84%	2.72% to 6.44%

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

Bank and other borrowings of RMB1,214,128,000 (2016: RMB1,301,983,000) 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 2017 and 2016, 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 4.35% to 20.00% (2016: 4.99% to 10.00%) 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 2017 and 2016:

	2017		2016	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Bank and other borrowings	203,481	202,761	598,519	602,887

At 31 December 2017, the bank loans were secured by:

(i) charge over the Group's property, plant and equipment with a carrying amount of RMB514,446,000 (2016: RMB702,892,000);

(ii) charge over the Group's prepaid land lease payments with a carrying amount of RMB41,401,000 (2016: RMB36,869,000);

(iii) charge over the Group's inventories with a carrying amount of RMB437,069,000 (2016: RMB494,365,000);

(iv) charge over the Group's bank deposits of RMB120,168,000 (2016: RMB123,661,000);

(v) charge over the Group's trade and other receivables with a carrying amount of RMB72,818,000 (2016: RMB39,986,000);

(vi) charge over the Group's bearer plants with carrying amount of RMB19,352,000 (2016: RMBNil);

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

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

28. BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2017, Haisheng US, an indirect wholly-owned subsidiary of the Company, breached a covenant clause in a bank loan agreement in relation to the maintenance of net profit of Haisheng US for the year ended 31 December 2017. As a result, bank loan of approximately RMB45,739,000 (2016: RMBNil) is subject to an early repayment option by the bank. Such bank loan is classified as a current liability as at 31 December 2017. The bank has not requested for the early repayment of the bank loan. The required covenant and early repayment option are subsequently waived by the bank.

29. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**134,806**	85,962	**116,571**	72,565
In the second to fifth years, inclusive	**247,831**	208,416	**227,450**	190,369
	382,637	294,378	**344,021**	262,934
Less: Future finance charges	**(38,616)**	(31,444)	**N/A**	N/A
Present value of lease obligations	**344,021**	262,934	**344,021**	262,934
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(116,571)**	(72,565)
Less: Security deposits			**(39,060)**	(26,460)
Amount due for settlement after 12 months			**188,390**	163,909

During the year ended 31 December 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.

During the year ended 31 December 2016, certain subsidiaries of the Group entered into finance lease agreements 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)

During the year ended 31 December 2017, certain subsidiaries of the Group entered into finance lease agreements with two independent financing companies under which the Group sold certain buildings and machinery with a carrying amount of RMB223,940,000 and leased back the buildings and machinery with lease periods ranging from 3 to 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.

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 (2016: 4) years. At 31 December 2017, the average effective borrowing rate was 5.30% (2016: 5.14%). Finance lease payables of RMB49,932,000 (2016: 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 RMB149,547,000 (2016: RMB101,950,000), RMB407,980,000 (2016: RMB280,091,000) and RMB21,654,000 (2016: RMB8,092,000) respectively, corporate guarantee executed by the Company and personal guarantee executed by Mr. Gao (a director and major shareholder of the Company) and his spouse.

30. DEFERRED GOVERNMENT GRANTS

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

	2017 **RMB'000**	2016 RMB'000
At 1 January	**130,204**	35,371
Received during the year	**70,558**	95,883
Credit to profit or loss for the year (note 8)	**(70,470)**	(1,050)
At 31 December	**130,292**	130,204
Analysed as:		
Current liabilities	**4,671**	1,029
Non-current liabilities	**125,621**	129,175
	130,292	130,204

30. DEFERRED GOVERNMENT GRANTS (Continued)

During the year ended 31 December 2017, the Group received grants and benefits of interest-free loans from government or government controlled entities for the operation and construction of environmental friendly greenhouse projects, cultivation facilities and machinery of RMB889,000 (2016: RMBNil), RMB21,399,000 (2016: RMB19,231,000), RMB37,460,000 (2016: RMB66,427,000) and RMB10,810,000 (2016: RMB10,225,000) respectively. There is no unfulfilled condition relating to those grants and such grants are deferred and released to profit or loss over the period in which the Group recognises as expenses the related costs for which the grants are intended to compensate or in accordance with the useful lives of the related assets.

31. DEFERRED TAX

The movement in deferred tax liabilities during the year in respect of withholding tax is as follows:

	2017	2016
	RMB'000	RMB'000
At 1 January	**15,296**	13,523
Charge to profit or loss for the year (note 12)	**6,823**	1,773
At 31 December	**22,119**	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 RMB22,119,000 (2016: RMB15,296,000) 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 RMB635,271,000 (2016: RMB354,974,000). 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 RMB352,866,000 (2016: RMB182,853,000) 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 2022 (2016: 2021).

32. SHARE CAPITAL

	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	1,262,648,000	12,626,480
Shares issued under share option scheme (note (a))	27,140,000	271,400
At 31 December 2017	1,289,788,000	12,897,880

	2017 RMB'000	2016 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,296**	13,061

Note:

(a) During the year ended 31 December 2017, options were exercised to subscribe for 27,140,000 ordinary shares in the Company at a consideration of HK$8,956,000 (equivalent to RMB7,750,000) of which HK$271,000 (equivalent to RMB235,000) was credited to share capital and the balance of HK$8,685,000 (equivalents to RMB7,515,000) was credited to the share premium account. An amount of RMB2,109,000 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:

	2017 **RMB'000**	2016 RMB'000
Bank and other borrowings	**2,158,013**	1,889,732
Bills payables	**208,200**	210,323
Finance lease payables	**304,961**	236,474
	2,671,174	2,336,529
Less: Pledged bank deposits	**(120,168)**	(123,661)
Bank and cash balances	**(167,560)**	(180,941)
Net debt	**2,383,446**	2,031,927
Total equity	**1,510,597**	1,221,117
Gearing ratio	**157.8%**	166.4%

The decrease in the gearing ratio during 2017 resulted primarily from increase of total equity as a result of total comprehensive income and capital contributions from non-controlling interests for the year.

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 were no breaches in the financial covenants of any interest-bearing borrowing for the year ended 31 December 2016 and the financial covenant and early repayment option breached by Haisheng US are subsequently waived by the bank for the year ended 31 December 2017.

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

(a) Statement of financial position of the Company

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Investments in subsidiaries		**678,064**	678,064
Current assets			
Due from subsidiaries		**15,002**	18,838
Bank balances		**10,042**	1,077
Dividend receivable		**4,607**	8,034
		29,651	27,949
Current liabilities			
Other payables		**2,439**	2,846
Financial guarantees		**31,793**	48,900
		34,232	51,746
Net current liabilities		**(4,581)**	(23,797)
NET ASSETS		**673,483**	654,267
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	32	**13,296**	13,061
Reserves	33(b)	**660,187**	641,206
TOTAL EQUITY		**673,483**	654,267

Approved by the board of directors on 28 March 2018 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 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 and 1 January 2017	**203,214**	**431,247**	**7,160**	**(415)**	**641,206**
Total comprehensive income for the year	**–**	**–**	**–**	**11,466**	**11,466**
Shares issued under share option scheme (note 32(a))	**9,624**	**–**	**(2,109)**	**–**	**7,515**
Lapse of share options	**–**	**–**	**(699)**	**699**	**–**
At 31 December 2017	**212,838**	**431,247**	**4,352**	**11,750**	**660,187**

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.

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.

During the year ended 31 December 2017, 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 RMB7,360,000 between the capital contributions of RMB66,000,000 and the amount of NCI adjusted of RMB73,360,000 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 expired 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 2017:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2017	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2017
18.7.2014	18.7.2014 to 17.1.2015	0.33	18.1.2015 to 17.7.2017	**17,272,000**	**(17,272,000)**	**–**	**–**
18.7.2014	18.7.2014 to 17.7.2015	0.33	18.7.2015 to 17.7.2017	**18,864,000**	**(9,868,000)**	**(8,996,000)**	**–**
23.7.2015	23.7.2015 to 22.1.2016	0.455	23.1.2016 to 22.7.2018	**18,880,000**	**–**	**–**	**18,880,000**
23.7.2015	23.7.2015 to 22.7.2016	0.455	23.7.2016 to 22.7.2018	**18,880,000**	**–**	**–**	**18,880,000**
				73,896,000	**(27,140,000)**	**(8,996,000)**	**37,760,000**
Weighted average exercise price (HK$)				**0.3939**	**0.33**	**0.33**	**0.455**
Exercisable at 31 December 2017							**37,760,000**

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	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

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 under the Scheme during the year ended 31 December 2017. The Group recognised share-based payment expenses of approximately RMB1,552,000 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 2017 was HK$0.380.

The options outstanding at 31 December 2017 with exercise price of HK$0.455 (2016: HK$0.330 and HK$0.455) have a weighted average remaining contractual life of 0.56 (2016: 0.55 and 1.56) year(s).

At the date of approval of these consolidated financial statements, the Company had 37,760,000 (2016: 73,796,000) share options outstanding under the Scheme, which represented approximately 2.93 % (2016: 5.84%) of the Company's shares in issue as at that date.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2017 RMB'000	Cash flows RMB'000	Interest expense/ finance lease charges RMB'000	Others (note) RMB'000	At 31 December 2017 RMB'000
Bank and other borrowings	**1,889,732**	**144,791**	**127,043**	**(3,553)**	**2,158,013**
Finance lease payables	**236,474**	**49,644**	**18,843**	**–**	**304,961**
	2,126,206	**194,435**	**145,886**	**(3,553)**	**2,462,974**

Note: Others represented exchange differences and changes in accrued interest.

37. CAPITAL COMMITMENTS

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

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**255,535**	204,780
Bearer plants	**2,764**	18,208
Capital contribution to an associate	**29,400**	39,000
	287,699	261,988

38. LEASE COMMITMENTS

At 31 December 2017 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**52,803**	31,954
In the second to fifth years inclusive	**256,684**	167,701
After five years	**1,652,456**	1,096,868
	1,961,943	1,296,523

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.

39. 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:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	**1,071,973**	702,892
Bearer plants	**19,352**	–
Prepaid land lease payments	**41,401**	36,869
Pledged bank deposits	**120,168**	123,661
Inventories	**437,069**	494,365
Trade and other receivables	**94,472**	48,078
	1,784,435	1,405,865

40. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

	2017 RMB'000	2016 RMB'000
Due from related companies	**164**	164
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63

As at 31 December 2017, the amounts of RMB11,000 (2016: RMB11,000) and RMB153,000 (2016: 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 2017 were RMB11,000 (2016: RMB11,000) and RMB153,000 (2016: 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:

	2017 RMB'000	2016 RMB'000
Short-term benefits	**5,720**	3,640
Post-employment benefits	**308**	219
Equity-settled share-based payments	**–**	208
	6,028	4,067

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

During the year ended 31 December 2017, Mr. Gao (a director of the Company) and his spouse (2016: Mr. Gao), provided personal guarantees for banking and finance lease facilities granted to the Group of approximately RMB346,261,000 (2016: RMB308,530,000) and RMB344,022,000 (2016: RMB262,934,000) respectively.

(d) Other transactions

As at 31 December 2017, share options of 700,000 (2016: 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 approximately RMB28,000 for the year ended 31 December 2016, in relation to share options granted to her. In addition, the Group incurred an expense of approximately RMB1,561,000 (2016: RMB406,000) as her salaries and allowances.

41. SUBSIDIARIES

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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		
				2017	2016	**2017**	2016	
Wisdom Expect Investment Limited	British Virgin Islands	PRC	200 ordinary shares US$1 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
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

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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		
				2017	2016	**2017**	2016	
棲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 US	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
清谷田園食品有限公司 translated as Edenview Food Co., Ltd (2)	PRC	PRC	RMB80,000,000	**–**	–	**99.6%**	–	Manufacture and sale of bottled fruit juice

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41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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		
				2017	2016	**2017**	2016	
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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	Plantation and sale of apples

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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 Direct 2017	Direct 2016	Indirect 2017	Indirect 2016	Principal activities
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	–	–	**58.2%**	65.8%	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	–	–	**58.2%**	65.8%	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	–	–	**58.2%**	65.8%	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	–	–	**58.2%**	65.8%	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	–	–	**58.2%**	65.8%	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) ("Zhaotong Haisheng")	PRC	PRC	RMB10,000,000	–	–	**58.2%**	65.8%	Plantation and sale of apples

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41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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		
				2017	2016	**2017**	2016	
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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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	**–**	–	**58.2%**	65.8%	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

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2017 and 2016 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		
				2017	2016	**2017**	2016	
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
慶陽寧越現代農業有限公司 translated as Qingyang Ningyue Modern Agriculture Co. Ltd. (2) ("Qingyang Ningyue")	PRC	PRC	RMB90,375,750	**–**	–	**59.8%**	–	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.

41. SUBSIDIARIES (Continued)

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

On 28 December 2015, Shaanxi Chaoyue, a subsidiary of the Company, entered into a capital increase agreement (the "Agreement I") 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 I, to inject an additional capital of RMB100,000,000 into Bin County Haiyue, a subsidiary of the Company. Pursuant to the Agreement I, 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 II") 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 II, to inject an additional capital of RMB1,210,000 into Modern Fruit. Pursuant to the Agreement II, 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.

On 8 January 2017, Shaanxi Chaoyue, a subsidiary of the Company, entered into an investment cooperation agreement (the "Agreement III") with 彬縣城市建設, to inject an additional capital of RMB40,000,000 into Bin County Haiyue, a non-wholly owned subsidiary of the Group. Pursuant to the Agreement III, Shaanxi Chaoyue and 彬縣城市建設 shall contribute additional capital of RMB24,000,000 and RMB16,000,000 respectively. 彬縣城市建設 had made full capital contribution and the Group received total cash capital contribution of RMB16,000,000 from the non-controlling shareholder. The amount of RMB143,000, being the difference between the capital contribution of RMB16,000,000 and the amount of NCI adjusted of RMB16,143,000, was directly recognised in other reserve during the year ended 31 December 2017.

On 15 February 2017, Modern Fruit, a non-wholly owned subsidiary of the Group, entered into a capital raise agreement (the "Agreement IV") 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 IV, 信合聚力 and 信稷投資 shall contribute additional capital of RMB300,000 and RMB49,700,000 respectively. 信合聚力 and 信稷投資 had made full capital contribution and the Group received total cash capital contributions of RMB50,000,000 from the non-controlling shareholders. The amount of RMB7,217,000, being the difference between the capital contribution of RMB50,000,000 and the amount of NCI adjusted of RMB57,217,000, was directly recognised in other reserve during the year ended 31 December 2017.

41. SUBSIDIARIES (Continued)

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

In the opinion of the directors, Modern Fruit (together with its subsidiaries), Bin County Haiyue and Qingyang Ningyue, 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		Qingyang Ningyue	
	2017	2016	**2017**	2016	**2017**	2016
Principal place of business/ country of incorporation	PRC/PRC		PRC/PRC		PRC/PRC	
% of ownership interests/ voting rights held by NCI	**41.75%/ 41.75%**	34.17%/ 34.17%	**33.20%/ 33.20%**	31.04%/ 31.04%/	**40.23%/ 40.23%**	–/–
At 31 December	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Non-current assets	**662,755**	656,793	**60,220**	57,240	**28,245**	–
Current assets	**307,387**	192,028	**117,888**	93,505	**69,443**	–
Non-current liabilities	**(115,104)**	(47,729)	**(3,980)**	–	**–**	–
Current liabilities	**(243,139)**	(312,350)	**(4,655)**	(20,132)	**(7,759)**	–
	611,899	488,742	**169,473**	130,613	**89,929**	–
Accumulated NCI	**255,486**	167,017	**56,267**	40,539	**36,181**	–
Year ended 31 December						
Revenue	**203,724**	161,841	**8,363**	5,974	**–**	–
Profit/(loss)	**73,157**	58,070	**(1,140)**	2,352	**(447)**	–
Total comprehensive income	**73,157**	58,070	**(1,140)**	2,352	**(447)**	–
Profit/(loss) allocated to NCI	**31,304**	19,842	**(505)**	1,259	**(180)**	–
Dividends paid to NCI	**–**	–	**–**	–	**–**	–
Net cash (used in)/generated from operating activities	**(97,091)**	262,563	**(10,268)**	(64,315)	**(60,442)**	–
Net cash used in investing activities	**(74,222)**	(267,058)	**(5,764)**	(36,605)	**(29,665)**	–
Net cash generated from financing activities	**173,116**	737	**43,980**	100,000	**90,376**	–
Net increase/(decrease) in cash and cash equivalents	**1,803**	(3,758)	**27,948**	(920)	**269**	–

As at 31 December 2017, the pledged bank deposits and bank and cash balances of the Group's subsidiaries in PRC denominated in RMB amounted to RMB254,163,000 (2016: RMB268,798,000). 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.

42. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 December 2017, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into an investment agreement (the "Agreement V") with 洛寧超越農業有限公司 ("Luoning Chaoyue") and 中央企業貧困地區河南產業投資基金 ("河南產業投資基金"), an independent third party at the time of the Agreement V, to inject an additional capital of RMB70,000,000 into Luoning Chaoyue, a wholly-owned subsidiary of Shaanxi Chaoyue. Pursuant to the Agreement V, Shaanxi Chaoyue and 河南產業投資基金 shall contribute additional capital of RMB20,000,000 and RMB50,000,000 respectively. The capital injection was completed on 3 January 2018 and the Group's equity interest in Luoning Chaoyue was diluted to approximately 57.2%.

(b) On 5 March 2018, Zhaotong Haisheng, a non-wholly owned subsidiary of the Group, entered into a joint venture agreement with 昭通市昭陽區農業投資發展有限公司 ("Zhaoyang Agriculture") pursuant to which Zhaotong Haisheng and Zhaoyang Agriculture have agreed to establish a company in the PRC (the "JV Company I") with a registered capital of RMB110,000,000 and each of Zhaotong Haisheng and Zhaoyang Agriculture has agreed to contribute to the registered capital of the JV Company I at RMB77,000,000 and RMB33,000,000, respectively. Upon the completion of the capital contributions, the JV Company I will be owned as to 70% and 30% by Zhaotong Haisheng and Zhaoyang Agriculture respectively.

(c) On 9 March 2018, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement VI") with 東台三倉潤農現代農業產業園發展有限公司 ("Runnong Modern Agriculture"), an independent third party at the time of the Agreement VI, pursuant to which Shaanxi Chaoyue and Runnong Modern Agriculture have agreed to establish a company in the PRC (the "JV Company II") with a registered capital of RMB50,000,000 and each of Shaanxi Chaoyue and Runnong Modern Agriculture has agreed to contribute to the registered capital of the JV Company II at RMB25,500,000 and RMB24,500,000, respectively. Upon the completion of the capital contributions, the JV Company II will be owned as to 51% and 49% by Shaanxi Chaoyue and Runnong Modern Agriculture respectively.