海升集团
2018 Annual Report

ANNUAL REPORT 2018

HAISHENG

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

Stock Code:359

SO FRESH 2018

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

Contents

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 *(resigned on 23 May 2018)*
Mr. Zhao Boxiang
Mr. Liu Zhongli
Mr. Chang Xiaobo *(appointed on 23 May 2018)*

COMPANY SECRETARY
Mr. Terence Sin Yuen Ko, FCCA

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

AUDIT COMMITTEE MEMBERS
Mr. Chang Xiaobo *(Chairman) (appointed on 23 May 2018)*
Mr. Chan Bing Chung *(Chairman) (resigned on 23 May 2018)*
Mr. Zhao Boxiang
Mr. Liu Zhongli

REMUNERATION COMMITTEE MEMBERS
Mr. Zhao Boxiang *(Chairman)*
Mr. Chan Bing Chung *(resigned on 23 May 2018)*
Mr. Liu Zhongli
Mr. Chang Xiaobo *(appointed on 23 May 2018)*

NOMINATION COMMITTEE MEMBERS
Mr. Gao Liang *(Chairman)*
Mr. Chan Bing Chung *(resigned on 23 May 2018)*
Mr. Zhao Boxiang
Mr. Liu Zhongli
Mr. Chang Xiaobo *(appointed on 23 May 2018)*

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

AUDITOR
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Causeway Bay
Hong Kong

LEGAL ADVISER
Kwok Yih & Chan
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9 Queen's Road Central
Hong Kong

Financial Highlights

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**4,543,163**	3,506,838	2,872,696	2,131,341	1,676,180
Net current (liabilities)/assets	**(1,128,298)**	(920,404)	(522,597)	(618,883)	12,204
Non-current liabilities	**(1,594,154)**	(1,075,837)	(1,128,982)	(381,505)	(698,606)
	1,820,711	1,510,597	1,221,117	1,130,953	989,778
Share capital	**13,296**	13,296	13,061	13,061	13,039
Reserves	**1,226,968**	1,143,898	999,198	969,355	974,434
Equity attributable to owners of the Company	**1,240,264**	1,157,194	1,012,259	982,416	987,473
Non-controlling interests	**580,447**	353,403	208,858	148,537	2,305
Total equity	**1,820,711**	1,510,597	1,221,117	1,130,953	989,778

	For the year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,752,807**	1,382,676	1,127,434	1,143,990	1,237,010
Profit before tax	**93,512**	188,639	47,883	7,025	24,631
Income tax (expense)/credit	**(15,726)**	(12,479)	25	(1,317)	(1,428)
Profit for the year	**77,786**	176,160	47,908	5,708	23,203
Profit/(loss) for the year attributable to:					
Owners of the Company	**79,686**	145,125	26,825	(1,411)	23,045
Non-controlling interests	**(1,900)**	31,035	21,083	7,119	158
	77,786	176,160	47,908	5,708	23,203

CHAIRMAN'S STATEMENT

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

Dear shareholders,

On behalf of the board of directors (the "Board") of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to report the consolidated results of the Company for the year ended 31 December 2018.

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB1,752.8 million, representing an increase of 26.8%, and a gross profit of approximately RMB252.2 million, representing a decrease of 13.5%. Profit attributable to owners of the Company was approximately RMB79.7 million, and basic and diluted earnings per share amounted to RMB6.18 cents and RMB6.18 cents respectively.

During the year under review, the global apple juice concentrate market attained an equilibrium of supply and demand. In the People's Republic of China (the "PRC"), widespread frosts in April – apple trees' flowering season – caused apple juice production volume to decrease significantly. At the same time, the European Region enjoyed a good apple harvest, and its apple juice supply was at its highest level in recent years. Trade conflict between the PRC and the United States of America further drove the PRC's overall apple juice concentrate export volume down significantly compared with the previous year. The Group expanded its Eastern European and domestic markets by improving productivity, reducing inventory, extending sales channels, and other measures. Domestic market sales increased by 8%. The Company's export volume in 2018 still placed it in the leading industry position in the PRC.

During the reporting period, the Group launched high-end bottled fruit juices such as NFC puree series fruit juice and C Fruit Voice PET fruit juice. Their sales area covered northwest, southwest, northeast and south China as well as the southeast coast.

In response to the PRC's proposed Rural Revitalisation Strategy, the Group began a vigorous modernisation of agriculture and advocated innovation in this area. The Group's agricultural facilities also met targets for energy efficiency, environmental protection and high quality produce, making them a true example of modernised green agriculture. During the year, the Group was first to introduce a temperate fruit, Orah, to the market. This created a new pattern for the Group's modernised agriculture segment, the sales of all fruits from the northern and southern hemisphere.

Outlook and prospects

In the future, the Group will further expand demand in the apple juice concentrate market, strive to maintain its leading international position in the apple juice concentrate industry, and assure its continued stable operation. At the same time, the Group will increase profitability in the bottled drinks market by cultivating consumers' high-end fruit and vegetable consumption habits, and will increase productivity in quality agriculture products. By using Group resources intelligently, modernised agriculture will become a new point of profit growth.

Acknowledgments

The restructuring of the Group is a great reasonability and will require a long time to complete. We will continue to broaden our international perspective while coordinating the development of all business segments, and in the foreseeable future, we expect to share the revenue with all investors and shareholders. On behalf of the Board, I would like to express my sincere gratitude to each shareholder, customer and business partner for their support and trust. To our management team and staff, I thank them for their contributions and efforts to make the Group's restructuring phase a success.

By order of the Board
Gao Liang
Chairman

Xian, the PRC
28 March 2019

Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2018, China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately RMB1,752.8 million, representing an increase of 26.8% over the previous year. Gross profit margin for the current year is 14.4% as against 21.1% in the previous financial year.

The increase in revenue in 2018 was mainly attributable to (1) the increase of sales of apples and other fruits; and (2) the recognition of sales of apple saplings.

The recognition of revenue from sales of apple saplings changed from other gains and losses to revenue from principal activities, with the corresponding costs of apple saplings included in cost of sales during the year. The book value of the apple sapling assets were adjusted to their fair value. As such, change in fair value due to biological transformation recorded a substantial growth for the year, while the difference between the sales of apple saplings and costs of apple saplings recorded was minor, and its gross profit margin was relatively low, resulting in the decrease of the overall gross profit margin of the Group.

Other income decreased by 22.7% to approximately RMB239.7 million and the decrease was mainly due to the decrease of amortisation of the deferred government grants.

Other gains and losses decreased by 43.2% to approximately RMB60.1 million and the decrease was due to the change for the recognition of sales of apple saplings as mentioned above.

Distribution and selling expenses increased by 61.3% to approximately RMB292.6 million and it was due to the increase of costs as a result of the expansion of fruit and vegetable sales channels.

Administrative expenses increased by 26.6% to approximately RMB253.0 million and it was due to the increase of costs as a result of the increase of planting area and staff number.

Finance costs increased by 28.4% to approximately RMB139.1 million and it was due to the increase of bank and other borrowings and finance lease payables.

Attributable mainly to the aforesaid, the Group's audited profit attributable to owners of the Company decreased to approximately RMB79.7 million, representing a decrease of 45.1% 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 2018, the Group's bank and other borrowings, bills payables and finance lease payables amounted to approximately RMB3,295.6 million (2017: RMB2,671.2 million), among which, approximately RMB2,337.0 million (2017: RMB1,522.8 million) were secured by way of charge on the Group's assets. Approximately RMB276.9 million, RMB102.4 million and RMB2,916.3 million were denominated in United States dollars ("USD"), Euro and RMB respectively.

	2018 RMB'000	2017 RMB'000
Bank loans	**1,884,000**	1,669,127
Other borrowings	**554,199**	445,748
Loans from government	**71,086**	43,138
Bills payables	**435,452**	208,200
Finance lease payables	**350,872**	304,961
	3,295,609	2,671,174

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 2018, the bank and cash balances including pledged bank deposits amounted to approximately RMB657.7 million (2017: RMB287.7 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 2018, the gearing ratio was 144.9% (2017: 157.8%).

Significant Investments Held and Material Acquisition and Disposals

a) On 5 March 2018, 昭通海升現代農業有限公司 (Zhaotong Haisheng Agriculture Company Limited*) ("**Zhaotong Haisheng**"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "**Agreement I**") with 昭通市昭陽區農業投資發展有限公司 (Zhaotong Zhaoyang Agricultural Investment Development Co., Ltd.*) ("**Zhaoyang Agriculture**"), an independent third party at the time of the Agreement I, pursuant to which Zhaotong Haisheng and Zhaoyang Agriculture have agreed to establish 昭通超越農業有限公司 (Zhaotong Chaoyue Agriculture Company Limited*) ("**Zhaotong Chaoyue**") 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 Zhaotong Chaoyue at RMB77,000,000 and RMB33,000,000, respectively. Upon the completion of the capital contributions, the Zhaotong Chaoyue will be owned as to 70% and 30% by Zhaotong Haisheng and Zhaoyang Agriculture respectively.

b) On 9 March 2018, 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 "**Agreement II**") with 東台三倉潤農現代農業產業園發展有限公司 (Dongtai Sancang Runnong Modern Agriculture Industrial Zone Development Company Limited*) ("**Runnong Modern Agriculture**"), an independent third party at the time of the Agreement II, pursuant to which Shaanxi Chaoyue and Runnong Modern Agriculture have agreed to establish 鹽城海升現代農業科技有限公司 (Yancheng Haisheng Modern Agricultural Science and Technology Co., Ltd.*) ("**Yancheng Haisheng**") 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 Yancheng Haisheng at RMB25,500,000 and RMB24,500,000, respectively.

   On 3 July 2018, Shaanxi Chaoyue, entered into a capital increase agreement (the "**Agreement III**") with Runnong Modern Agriculture, pursuant to which Shaanxi Chaoyue and Runnong Modern Agriculture have agreed to make additional capital contribution to Yancheng Haisheng at RMB78,581,000 and RMB75,499,000, respectively.

   Upon the completion of the capital contributions, Yancheng Haisheng will be owned as to 51% and 49% by Shaanxi Chaoyue and Runnong Modern Agriculture respectively.

c) On 30 August 2018, 崇信縣海越農業有限公司(Chongxin County Haiyue Agriculture Company Limited*) ("**Chongxin Haiyue**"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "**Agreement IV**") with 崇信縣農業產業投資開發有限責任公司 (Chongxin County Agriculture Industry Investment and Development Company Limited*) ("**Chongxin Agriculture**"), an independent third party at the time of the Agreement IV, pursuant to which Chongxin Haiyue and Chongxin Agriculture have agreed to establish 崇信縣汭越農業有限責任公司 (Chongxin County Ruiyue Agriculture Company Limited*) ("**Chongxin Ruiyue**") with a registered capital of RMB72,000,000 and each of Chongxin Haiyue and Chongxin Agriculture has agreed to contribute to the registered capital of Chongxin Ruiyue at RMB37,440,000 and RMB34,560,000, respectively. Upon the completion of the capital contributions, Chongxin Ruiyue will be owned as to 52% and 48% by Chongxin Haiyue and Chongxin Agriculture respectively.

* *For identification purpose only*

Management Discussion and Analysis

Save as disclosed above, there were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

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:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	310,496	255,535
Bearer plants	507	2,764
Capital contribution to an associate	29,400	29,400
	340,403	287,699

Pledge of assets

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	1,070,017	1,071,973
Bearer plants	324,384	19,352
Prepaid land lease payments	62,687	41,401
Pledged bank deposits	348,629	120,168
Inventories	284,618	437,069
Trade and other receivables	53,820	94,472
	2,144,155	1,784,435

Contingent liabilities

The Group has no material contingent liabilities as at 31 December 2018 (2017: Nil).

BUSINESS REVIEW

1. Juice concentrate and by-product processing

In 2018, the European region produced a good apple harvest and its supply of apple juice concentrate reached the highest level in ten years. In the northern part of the People's Public of China ("PRC"), where high quality apples are produced, production volume decreased during April of the same year due to a widespread severe frost, reducing the supply of raw fruit for apple juice concentrate and increasing the purchase cost of apples. Additionally, the trade conflict between PRC and the United States of America ("USA") has seen the imposition of additional tariff measures on apple juice concentrate, leading to a certain degree of decline in the PRC's apple juice concentrate exports compared with previous year. Against the backdrop of aforesaid factors during the last year, the Group took action to broaden its product variety, cultivate customer stickiness, and maintain its position as the PRC's major apple juice concentrate export. To broaden its product variety, the Group actively promoted the research and development ("R&D") of organic products, planned for industrial organic production, and prepared to strengthen its market promotion of organic products. The Group also continued the R&D, production and sale of a range of other products, among which market promotions of pectin, aroma and non-mainstream fruit juice showed varying progress. Market share continued to increase for products such as apple syrup, hawthorn syrup and peach juice. To enhance customer stickiness, the Group communicated with customers using a win-win theme, and actively responded to the change of the external environment together. Sales volumes in markets such as Japan, the USA and Canada decreased slightly compared with the previous year, while prices rose steadily. The PRC market's potential continued to be revealed, with sales volume increased by 8%.

Concerning end-user products, in May 2018, a factory in Baoji City of Qianyang County commenced production of the Group's "Eden View" high-end bottled fruit drink series. Having passed the stages of rapid market share expansion and stabilisation, in different segment consumer clusters were resolved and continued to grow. Sales regions in PRC radiated from the northwest (Xi'an being the original centre) to the southwest, and northeast, east, central China and the southeast coast. This sales region arrangement is centred around 107 key cities (including Beijing, Guangzhou, Shanghai, Shenzhen, Xi'an, Chengdu, Qingdao, Hangzhou, Wuhan, Zhengzhou, Wuxi and Changsha) and encompasses 29 provinces.

As well as showing progress in its R&D on end-user products, the Group's related support measures were also followed up during the reporting period. Specifically the Group completed registration for the following intellectual property patents:

One patent application for invention and ten for appearance design were authorised. Four patent applications for appearance design were pending.

The summary of patent applications is as follows:

Invention Patent	201510375190.X	Lactic acid bacteria fruit beverage and its preparation technology	Authorised
Apparel Design Patent	201730659779.2	Bottle (short and fat)	Authorised
Apparel Design Patent	2017306593664	Bottle (circle)	Authorised
Apparel Design Patent	2018300238856	Beverage bottle (twisted)	Authorised
Apparel Design Patent	2018300908909	Beverage bottle	Authorised
Apparel Design Patent	2018301612432	Package bag (probiotic fruit cereal oatmeal)	Authorised
Apparel Design Patent	2018301807093	Bottle label sticker (juice)	Authorised
Apparel Design Patent	2018302436669	Beverage bottle	Authorised
Apparel Design Patent	2018302894277	Outer box	Authorised
Apparel Design Patent	2018302894281	Inner box	Authorised
Apparel Design Patent	2018302889688	Wrapper	Authorised
Apparel Design Patent	2018303942761	Juice puree bottle (with wrapping layer)	In progress
Apparel Design Patent	2018303952320	Bottle crown (3 lips)	In progress
Apparel Design Patent	2018303952301	Bottle crown (5 lips)	In progress
Apparel Design Patent	201830395227X	Bottle crown (7 lips)	In progress

In 2019, the Group will continue to diversify its product line with the R&D and sale of new products. The Group will progressively release product series such as juice purees, lactic acid bacteria beverages, C Fruit Voice PET, instant cereal oatmeal and tea juice drinks. These new products, together with pectin, aroma, non-mainstream fruit juice and "Eden View" bottled fruit juice, and consolidation of the apple juice concentrate business, will continue to boost the profitability of juice concentrate and by-product processing, and steadily grow the Group's operating profit.

Management Discussion and Analysis

2. Modernised agriculture

The Group has successfully overcome a great variety of challenges in recent years with regards to agriculture modernisation, and has made significant progress in segments such as temperate fruits, tropical fruits, berries, vegetables, agricultural facilities, tourism and fresh fruit marketing. A good operational environment was created in which major progress was made in the development of temperate fruits and tropical fruits, as well as in other segments in development at the same time.

During the reporting period, 44 fields and 5 nurseries were built corresponding to the three business segments of temperate fruit, packing house and nurseries. An apple field gardening management handbook and plant protection monitoring method were established. With regard to packing house construction, the Group set up four such facilities and each facility equipped with a controlled atmosphere storage house in various high quality apple production area. When construction is completed, the expected annual production of apples could reach more than 100,000 tons, due to significant breakthroughs in pre-cooling after harvest and a variety of storage techniques. With regard to seedling planting techniques, the Group's apple seedling cultivation technique was improved. Its cherry seedling breeding technique achieved significant improvement and entered the mass fast breeding stage. Cherry seedling and sale operations were preliminary established.

The Group's modernised high standard citrus planting base for the tropical fruits segment was nearing maturity. In 2018, the Group released its first citrus products on the market, and their quality was widely recognised by consumers. During the reporting period, newly constructed citrus planting areas covered more than 30,000 mu in total, and due to good sale conditions, the Group expected to develop its citrus business further in its original bases such as Yunnan, Guangdong and Jiangxi Provinces in 2019. Meanwhile, the berries segment focused on developing a strawberry breeding and planting business, and raising production efficiency and product quality. These contributed to a breakthrough in branding sales especially for strawberry yields in winter, which increased 2.3 times while the output rate of commodity fruits increased by 10% compared with the same period of the previous year. The Group also achieved large-scale off-season substrate blueberry cultivation and production, and business plannings were established in Yunnan Lanping County and Gansu Longnan City to build a solid foundation for year-round large-scale blueberry production and supply. In the vegetables segment, a year-round supply of baby carrots was achieved, while new value-added cultivation crop such as fruit corns, sweet potatoes with chestnut taste and baby pumpkins were introduced. In the agricultural facilities segment, construction of the new intelligent glass greenhouse project in Zhangye City made steady progress. With regards to the operation, product quality of strawberries and candy tomatoes from the 200,000 square metre greenhouse was

improved. The tourism segment received more than 5,000 field trip students. Visits combined picking, industry tourism and science lessons to help enhance understanding of advanced agricultural techniques while experiencing the nature.

During the reporting period, the fresh fruit marketing segment relied on the top five sales regions in the PRC. The sales operations of 31 wholesale markets and the sales network was improved, and retail terminals such as CR Vanguard OLE, BLT, V+ and CR Vanguard, Yong Hui Superstores, Hema Store, JD "7Fresh", Pagoda and Walmart were consolidated. This continuously increased the popularity of the Group's products and broadened their avenues of sale. While apple producing regions of the PRC experienced a severe natural disaster in April 2018, a cooperative action across business segments meant that sales of fresh apples still saw a relatively high increase compared with the same period in the previous year. At the end of 2017, the PRC's apple futures listing had a huge impact on the fruit industry, with the Group fully utilising its existing advantages in production, storage, inspection and circulation, and successfully applying as the apple futures delivery warehouse designated by Zhengzhou Commodity Exchange. These measures built a foundation for a tighter hold on the market supply price for fresh apples, and for increased diversity by means of apple sales.

In addition, the Group was engaged in developing product informatisation, and strove to use modern big data for the scientific monitoring of the Group's plantations and production. The Group is cooperating with Alibaba to develop an "Agricultural Brain" system. The system acquires information including weather conditions and fruit trees' growth status for apples and citrus to help prevent and minimise disasters during the production process and raise the quality and yield of fruit and vegetable products.

Prospect

In the future, the Group will continue to seek expansion in the international market, optimise its team structure, enhance the introduction and assimilation of technology, increase technical and skill training for its staff, and improve its big data system and product quality and management standards. With regards to channel expansion, the Group also expects to continue expanding its channels in first-tier cities while making efforts to developing those in second-and third-tier cities. It is continuously seeking out special channels and chain channels based on its existing channels, and is creating a brand image with the support of the high-end "Pure Twig" (枝純) and "Eden View" brand series to maximise product, brand and market values.

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 Group, the fruit juice processing plants and agricultural cultivation companies under it and covers the financial year of the Group from 1 January 2018 to 31 December 2018.

2. ENVIRONMENTAL PROTECTION

The agricultural cultivation bases of the Group comply with the People's Republic of China (the "PRC") organic standards and the standards under the Global Good Agricultural Practices and China Good Agricultural Practices. Compared with traditional agricultural planation, we continue to improve and optimise our work in environmental preservation through reducing the use of fertilisers and by grouping quality resources around the world together, with the assistance of advanced drip irrigation equipment and agricultural machinery. The Group always upholds the principle of protecting the environment and saving natural resources in research and development, processing and sale of fruit and vegetable juice and related products conducted by the Group, and a series of management policies, mechanisms and measures are formulated for the protection of the environment and natural resources to comply with various laws and regulations. Actions taken by the Group include the control 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

All materials of the Group are procured from 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 Group 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 Group 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 Group 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)	Natural gas (cubic meter)	Steam (cubic meter)
Usage amount	11,599,944	9,035	4,048,399	2,124
Average energy consumption per ton of fruit juice	327.3	0.25	114.22	0.06

5) The Group conducts energy-saving technological improvement on major equipment based on their conditions every year and implements energy-saving measures. During 2018, the Group had two new plants started to use natural gas boilers.

Use of water resources

The fruit and vegetable juice processing industry is an industry with high water consumption. On the use of water resources, the Group develops strategies on fully utilisation of water resources and recycles the fruit evaporation water generated from the production process. Based on water resources management policies, the Group 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 of 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 759,891 cubic meters in 2018. The sources of the water supply and water consumption of the Group 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 Group 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 2018, the Group 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 Group 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 Group 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.

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 of 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 2018, the total carbon emission from greenhouse gases is approximately 20,100 tons, approximately 44% are generated from the combustion of fossil fuels and 56% are generated from the use of electricity.

Environmental, Social and Governance Report

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 Group 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 Group 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 Group 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 Group that resulted in serious environmental pollution and shock in 2018.

Biodiversity impact management

For the operation of strongholds, the Group 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 Group 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 Group 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 2018, the cleaning and treatment of all wastes meet local management requirements.

3. EMPLOYEES

Employment

In 2018, 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.

As at 31 December 2018, the Group has a total of 3,456 employees, approximately 99.7% of which are located in the PRC. The proportion of male and female employees is approximately 68:32. Approximately 42.4% of the total number of employees holds the bachelor's degree or above; approximately 12.3% of them holds the master's degree or above; while approximately 0.5% of them holds the doctoral degree or above. In 2018, the employee turnover ratio was approximately 13.5%.

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 2018.

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. 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 2018, the Group also commenced various trainings with different themes for every department and all employees. For employees from the headquarter, the Group carried out training on the theme of "guest relation and reception etiquette" to standardise the reception procedures, enhance the awareness for servicing and establish a good corporate image. For press officers and staff for operating new media accounts of each business department, training was conducted on the theme of "Advertising Law and management standards for new media" to enhance promotion management of the Group and effectively standardise the publishing procedures of information including news and advertisements. The Group also specially invited investment managers of finance companies to hold seminars on financial knowledge for all employees, focusing on investment and wealth management institutions, markets and prevention of risks concerning wealth management, so as to help the employees in acquiring relevant knowledge of investment and wealth management. The training on "listing of apple futures" was to assist employees in learning basic knowledge of apple futures so as to better understand the impact of listing of apple futures on the fruit and vegetable products processing industry. Another training covered the topic of "valuation methodology of the Company", which was to enhance the employees' understanding on the valuation of the Company for protecting its rights to the largest extent. Training on the theme of "common legal issues arising from advertising" was to enhance the employees' legal awareness in respect of advertising and reduce legal risks of the Company's external advertising, and training of "operation of valuation and modeling of the Company" aimed at strengthening the understanding of employees with core positions on the valuation and modeling methodologies, so as to enable the Company to maximise its gains in the field of investment and financing.

To sum up, the Group attached great importance to the training of employees' competency, continuously improved the overall quality of employees and paid attention to the overall development of employees. In the training on "harvest and post-harvest trainings for 2018 fruit season", the Group was able to further improve its internal technical management levels of harvesting and storage of mature fruit products to achieve the targets of increasing product quality and income. And training on "application of Brevis to fruit and vegetable products" enabled the technological staff to better understand the application of captan in the prevention and treatment of scab so as to reduce pests and diseases in fruit products.

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 2018. 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 the PRC and prohibits the employment of child labours or forced labours in 2018. 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 2018 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 2018, the Group abided by all relevant anti-corruption laws on anti-corruption in Hong Kong and the 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 the country and beared market risks for farmers, and helped them to fight against poverty and increase income through different means such as land transfers and employee and technical trainings. The Group carried out trainings on the theme of "opening of a field university and sharing of field knowledge" to provide technical support to the farmers and assist them in alleviating poverty and increasing income. For the Thousands of Enterprises Helping Thousands of Villages campaign with an aim of "focusing on poverty alleviation by industrial development and achieving a "win-win" situation between farmers and enterprises", the Group held lectures on promoting and demonstrating technologies in poor villages, and strived to drive poverty alleviation by industrial development and help the poor population out of poverty with technology. The Group also made several donations of daily necessities and other household items to poverty-stricken families.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang（高亮）, aged 58, 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 46, 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 43, 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 38, 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 74, 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. Chan Bing Chung (陳秉中), aged 50, 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.

With effect from 23 May 2018, Mr. Chan resigned as an independent non-executive Director of the Company in order to devote more time on his personal commitments.

Mr. Liu Zhongli (劉忠立), aged 59, 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 in 1982. 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.

New Director to the Board

On 23 May 2018, the Board announced the appointment of Mr. Chang Xiaobo as an independent non-executive Director of the Company with effect from 23 May 2018.

Mr. Chang Xiaobo (常曉波), aged 49, studied accountancy and graduated from the Shaanxi Finance and Economic College in the PRC in 1993. Mr. Chang is a Chinese certified public accountant and is currently a partner and the general manager of Shinewing Certified Public Accountants Shaanxi Branch. Mr. Chang has more than 28 years of extensive experience in auditing, accounting and financial management. Prior to joining Shinewing Certified Public Accountants Shaanxi Branch in 2012, Mr. Chang worked for Shaanxi Branch of Ruihua Certified Public Accountants* (中瑞岳華會計師事務所) from 2008 to 2011, Shaanxi Branch of Yuehua Certified Public Accountants* (岳華會計師事務所陝西分所) from 1997 to 2007 and China Tenth Metallurgy Group Limited Corporation* (中國第十冶金建設公司) from 1989 to 1996. Mr. Chang is also an executive council member of the Shaanxi Province Association of Chief Financial Officer since 2015. Mr. Chang serves as an independent director of each of Xian International Medical Investment Company Limited (西安國際醫學投資股份有限公司), the shares of which is listed in the A-share main board of the Shenzhen Stock Exchange with stock code 000516, Xian Tian He Defense Technology Co., Ltd. (西安天和防務技術股份有限公司), the shares of which is listed in the ChiNext board of Shenzhen Stock Exchange with stock code 300397, Aerospace Communications Holdings Co., Ltd. (航天通信控股集團股份有限公司), the shares of which is listed in the A-share main board of Shanghai Stock Exchange with stock code 600677, and Henan

* *For identification purpose only*

Directors and Senior Management

Rebecca Hair Products Co., Ltd. (河南瑞貝卡髮製品股份有限公司), the shares of which is listed in the A-share main board of Shanghai Stock Exchange with stock code 600439. From 2012 to 2017, Mr. Chang served as an independent director of Bode Energy Equipment Co., Ltd. (西安寶德自動化股份有限公司), the shares of which is listed in the ChiNext board of Shenzhen Stock Exchange with stock code 300023. From 2014 to 2017, Mr. Chang served as an independent director of Henan Senyuan Electric Co., Ltd. (河南森源電氣股份有限公司), the shares of which is listed in the A-shares SME board of Shenzhen Stock Exchange with stock code 002358.

Senior Management

Mr. Terence Sin Yuen Ko (單阮高), aged 47, 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. Chang Xiaobo (appointed on 23 May 2018), were absent from both the last AGM held on 28 May 2018 and the extraordinary general meeting of the Company held on 15 August 2018 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 2018.

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 fourteen 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)*	14/14	0/2
Mr. Ding Li	14/14	0/2
Mr. Zhao Chongjun	14/14	0/2
Mr. Wang Linsong	14/14	0/2
Independent non-executive Directors		
Mr. Zhao Boxiang	14/14	0/2
Mr. Liu Zhongli	14/14	2/2
Mr. Chan Bing Chung (resigned on 23 May 2018)	8/8	0/0
Mr. Chang Xiaobo (appointed on 23 May 2018)	5/5	0/2

Corporate Governance Report

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 2018, 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 four members, namely Mr. Zhao Boxiang, Mr. Liu Zhongli, Mr. Chan Bing Chung (resigned on 23 May 2018) and Mr. Chang Xiaobo (appointed on 23 May 2018). 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. Liu Zhongli	2/2
Mr. Chan Bing Chung *(resigned on 23 May 2018)*	1/1
Mr. Chang Xiaobo *(appointed on 23 May 2018)*	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 five members, namely Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Liu Zhongli, Mr. Chan Bing Chung (resigned on 23 May 2018) and Mr. Chang Xiaobo (appointed on 23 May 2018). 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. Liu Zhongli	3/3
Mr. Chan Bing Chung *(resigned on 23 May 2018)*	1/1
Mr. Chang Xiaobo *(appointed on 23 May 2018)*	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 (resigned on 23 May 2018), Mr. Chang Xiaobo (appointed on 23 May 2018), Mr. Zhao Boxiang and Mr. Liu Zhongli. All of them were INEDs. The chairmans of the audit committee during 2018 are Mr. Chan Bing Chung (resigned on 23 May 2018) and Mr. Chang Xiaobo (appointed on 23 May 2018).

The audit committee held three 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) (resigned on 23 May 2018)*	1/1
Mr. Chang Xiaobo *(Chairman) (appointed on 23 May 2018)*	2/2
Mr. Zhao Boxiang	3/3
Mr. Liu Zhongli	3/3

The following is a summary of the work performed by the audit committee in 2018:

- Review of the report from the external auditor on the audit of the final results of the Group for the year ended 31 December 2017;
- Review of the draft financial statements of the Group for the year ended 31 December 2017;
- Review of the draft results announcement and annual report of the Group for the year ended 31 December 2017;
- 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 relevant contract terms in relation to the capital increase of Yancheng Haisheng Modern Agricultural Science and Technology Co. Ltd（鹽城海升現代農業科技有限公司）by Shaanxi Chaoyue and Runnong Modern Agriculture;
- Review of the draft results announcement and interim report of the Group for the period ended 30 June 2018;
- 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 2017 and the unaudited interim results for the six months ended 30 June 2018 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 2018, the fees paid or payable in respect of audit and non-audit services provided by the Group's external auditor, RSM Hong Kong amounted to RMB2,300,000 and RMB185,000 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 2018, 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 2018, 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 AGM 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 2018.

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 apple saplings, 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 2018 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 2018.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB825.0 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 2018 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 RMB665.5 million as at 31 December 2018. 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
Mr. Chang Xiaobo *(appointed on 23 May 2018)*
Mr. Chan Bing Chung *(resigned on 23 May 2018)*

Pursuant to Article 87(1) of the Articles of Association, Mr. Gao Liang, Mr. Zhao Chongjun and Mr. Liu Zhongli 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. Chang Xiaobo (appointed on 23 May 2018) 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. They have also renewed the services agreements with the Company for a term of three years (which shall be subject to the termination provisions under the services agreements), all of which commenced from 16 May 2018. 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. Chan Bing Chung (resigned on 23 May 2018) and Mr. Liu Zhongli have entered into letters of appointment with the Company for an initial term of three years commencing from 6 July 2017. Mr. Chang Xiaobo has entered into a letter of appointment with the Company for an initial term of three years commencing from 23 May 2018.

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 2018. 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 2018.

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 had 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 1.1.2018	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding at 31.12.2018
Directors and their respective associates								
Mr. Ding Li	23.7.2015 (Note 1)	0.455	1,152,000	–	–	–	(1,152,000)	–
Mr. Zhao Chongjun	23.7.2015 (Note 1)	0.455	1,152,000	–	–	–	(1,152,000)	–
Mr. Wang Linsong	23.7.2015 (Note 1)	0.455	400,000	–	–	–	(400,000)	–
Ms. Xie Haiyan (Note 2)	23.7.2015 (Note 1)	0.455	700,000	–	–	–	(700,000)	–
Employees in aggregate	23.7.2015 (Note 1)	0.455	34,356,000	–	–	–	(34,356,000)	–
			37,760,000	–	–	–	(37,760,000)	–

Notes:

1. 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.

2. 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 2018, 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 3)
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	4,724,660 shares (Note 2)	0.37%
			472,385,898 shares	36.63%
Mr. Ding Li	The Company	Beneficial owner	972,000 shares	0.08%

Notes:

1. As at 31 December 2018, 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 2018, the 4,724,660 shares were held by Ms. Xie Haiyan who is the spouse of Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 4,724,660 shares held by Ms. Xie Haiyan.

3. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2018 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 31 December 2018, none of 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. 622), 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 2018, 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 4)
Ms. Xie Haiyan	The Company	Interest of spouse	467,661,238 shares (Note 1)	36.26%
		Beneficial owner	4,724,660 shares (Note 2)	0.37%
			472,385,898 shares	36.63%
Think Honour	The Company	Beneficial owner	459,061,238 shares (Note 2)	35.59%
Tiandi Yihao Beverage Co., Ltd.	The Company	Interest of controlled corporation	227,996,000 shares (Note 3)	17.68%
Shenzhen Tiandi Win-Win Investment Management Co., Limited	The Company	Interest of controlled corporation	227,996,000 shares (Note 3)	17.68%
Tiandi Win-Win Investment Management Co., Limited	The Company	Beneficial owner	227,996,000 shares (Note 3)	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. The entire issued share capital of Think Honour was held by Mr. Gao Liang.

3. 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.

4. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2018 (i.e. 1,289,788,000 ordinary shares).

Directors' Report

Save as disclosed above, as at 31 December 2018, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year ended 31 December 2018, 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 Shareholders 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 2018 was approximately RMB34,954,000 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 2018.

STAFF AND REMUNERATION POLICIES

As at 31 December 2018, the Group had 3,456 (2017: 2,950) 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 28.9% of the Group's total revenue and the largest customer accounted for approximately 10.8% of the Group's total revenue for the year 2018. The five largest suppliers in aggregate accounted for approximately 16.3% of the Group's total purchases and the largest supplier accounted for approximately 5.3% of the Group's total purchases for the year 2018.

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 2018 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 2018.

AUDIT COMMITTEE

The Company's audit committee comprised four independent non-executive Directors, namely Mr. Chan Bing Chung (Chairman) (resigned on 23 May 2018), Mr. Chang Xiaobo (Chairman) (appointed on 23 May 2018), Mr. Zhao Boxiang and Mr. Liu Zhongli, 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 2018.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 28 May 2019. 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.

Directors' Report

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 were audited by Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited). The consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 were audited by RSM Hong Kong.

At the Company's last annual general meeting, RSM Hong Kong (中瑞岳華(香港)會計師事務所) was re-appointed as auditor of the Company. On 22 November 2018 our auditor changed the Chinese name under which it practices to RSM Hong Kong (羅申美會計師事務所) and accordingly has signed its report under its new name.

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 2019

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 120, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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 2018, the Group's current liabilities exceeded its current assets by approximately RMB1,128,298,000. 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 as 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 2018, included in the Group's consolidated statement of financial position were property, plant and equipment and bearer plants of approximately RMB3,101,839,000 and RMB1,130,881,000 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 Ms. Ng Wai Kwun.

RSM Hong Kong
Certified Public Accountants

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	7	**1,752,807**	1,382,676
Cost of sales		**(1,500,567)**	(1,090,905)
Gross profit		**252,240**	291,771
Other income	8	**239,727**	310,040
Other gains and losses	9	**60,070**	105,779
Impairment losses for trade receivables		**(4,312)**	–
Change in fair value due to biological transformation	22	**235,988**	(16,084)
Distribution and selling expenses		**(292,622)**	(181,428)
Administrative expenses		**(253,033)**	(199,929)
Other expenses		**(3,830)**	(4,534)
Profit from operations		**234,228**	305,615
Finance costs	11	**(139,078)**	(108,298)
Share of loss of an associate		**(1,638)**	(8,678)
Profit before tax		**93,512**	188,639
Income tax expense	12	**(15,726)**	(12,479)
Profit for the year	13	**77,786**	176,160
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**431**	(580)
Other comprehensive income for the year, net of tax		**431**	(580)
Total comprehensive income for the year		**78,217**	175,580
Profit/(loss) for the year attributable to:			
Owners of the Company		**79,686**	145,125
Non-controlling interests		**(1,900)**	31,035
		77,786	176,160
Total comprehensive income for the year attributable to:			
Owners of the Company		**80,117**	144,545
Non-controlling interests		**(1,900)**	31,035
		78,217	175,580
Earnings per share	17		
Basic (cents per share)		**6.18**	11.37
Diluted (cents per share)		**6.18**	11.35

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,101,839**	2,394,742
Prepaid land lease payments	19	**154,215**	122,631
Bearer plants	20	**1,130,881**	933,491
Investment in an associate	21	**7,749**	9,387
Biological assets	22	**119,780**	–
Prepayments for acquisition of bearer plants		**6,293**	17,464
Deposits for acquisition of property, plant and equipment		**22,406**	29,123
Total non-current assets		**4,543,163**	3,506,838
CURRENT ASSETS			
Prepaid land lease payments	19	**18,567**	18,564
Biological assets	22	**31,842**	32,611
Inventories	23	**748,092**	1,110,670
Trade and other receivables	24	**432,444**	398,973
Due from related companies	25	**164**	164
Pledged bank deposits	26	**348,629**	120,168
Bank and cash balances	26	**309,033**	167,560
Total current assets		**1,888,771**	1,848,710
CURRENT LIABILITIES			
Trade and other payables	27	**1,089,593**	1,000,773
Bills payables		**409,854**	208,200
Current tax liabilities		**277**	68
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings	28	**1,338,424**	1,438,768
Finance lease payables	29	**171,449**	116,571
Deferred government grants	30	**7,409**	4,671
Total current liabilities		**3,017,069**	2,769,114
Net current liabilities		**(1,128,298)**	(920,404)
Total assets less current liabilities		**3,414,865**	2,586,434

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Other liabilities	27	**47,995**	20,462
Bills payables		**25,598**	–
Bank and other borrowings	28	**1,170,861**	719,245
Finance lease payables	29	**179,423**	188,390
Deferred government grants	30	**143,472**	125,621
Deferred tax liabilities	31	**26,805**	22,119
Total non-current liabilities		**1,594,154**	1,075,837
NET ASSETS		**1,820,711**	1,510,597
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	32	**13,296**	13,296
Reserves	34	**1,226,968**	1,143,898
		1,240,264	1,157,194
Non-controlling interests		**580,447**	353,403
TOTAL EQUITY		**1,820,711**	1,510,597

Approved by the Board of Directors on 28 March 2019 and are signed on its behalf by:

Gao Liang
Director

Zhao Chongjun
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	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 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 and 1 January 2018	13,296	212,838	4,352	258,722	(622)	196,683	(16,488)	488,413	1,157,194	353,403	1,510,597
Adjustment on initial application of IFRS 9 (note 3)	–	–	–	–	–	–	–	(109)	(109)	–	(109)
Restated balance at 1 January 2018	13,296	212,838	4,352	258,722	(622)	196,683	(16,488)	488,304	1,157,085	353,403	1,510,488
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**431**	**-**	**-**	**79,686**	**80,117**	**(1,900)**	**78,217**
Capital contributions from non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**182,006**	**182,006**
Change in ownership interest in subsidiaries without loss of control	**-**	**-**	**-**	**-**	**-**	**-**	**3,062**	**-**	**3,062**	**46,938**	**50,000**
Lapse of share options	**-**	**-**	**(4,352)**	**-**	**-**	**-**	**-**	**4,352**	**-**	**-**	**-**
Appropriations from retained profits	**-**	**-**	**-**	**-**	**-**	**23,415**	**-**	**(23,415)**	**-**	**-**	**-**
Changes in equity for the year	**-**	**-**	**(4,352)**	**-**	**431**	**23,415**	**3,062**	**60,623**	**83,179**	**227,044**	**310,223**
At 31 December 2018	**13,296**	**212,838**	**-**	**258,722**	**(191)**	**220,098**	**(13,426)**	**548,927**	**1,240,264**	**580,447**	**1,820,711**

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**93,512**	188,639
Adjustments for:			
Depreciation of property, plant and equipment	13	**36,226**	51,739
Depreciation of bearer plants	20	**2,514**	2,348
Write off of bearer plants	13	**152**	–
Write off of biological assets	22	**11,617**	–
Write off of property, plant and equipment	13	**1,259**	3,467
Write off of inventories	13	**91**	708
Change in fair value due to biological transformation	22	**(235,988)**	16,084
Finance costs	11	**139,078**	108,298
Interest income	8	**(2,879)**	(1,504)
Amortisation of deferred government grants	30	**(4,696)**	(70,470)
Loss on disposals of property, plant and equipment	9	**2,387**	709
Gain on disposals of saplings	9	**(64,024)**	(95,153)
Allowance/(reversal of allowance) for inventories	13	**26,551**	(7,522)
Impairment losses for trade receivables		**4,312**	–
Amortisation of prepaid land lease payments	13	**3,429**	9,405
Share of loss of an associate		**1,638**	8,678
Operating profit before working capital changes		**15,179**	215,426
Decrease in inventories		**380,501**	26,809
Increase in trade and other receivables		**(44,639)**	(170,312)
Decrease/(increase) in biological assets		**305,177**	(33,833)
Increase in trade and other payables		**63,539**	195,943
Increase/(decrease) in bills payables		**124,860**	(2,123)
Cash generated from operations		**844,617**	231,910
Income taxes paid		**(10,841)**	(5,428)
Net cash generated from operating activities		**833,776**	226,482
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(659,985)**	(402,880)
Purchases of bearer plants		**(275,854)**	(306,353)
Purchases of prepaid land lease payments		**(109,720)**	(64,009)
(Increase)/decrease in pledged bank deposits		**(228,461)**	3,493
Interest received		**2,879**	1,504
Government grants received		**25,285**	70,558
Proceeds from disposals of property, plant and equipment		**13,234**	1,280
Proceeds from disposals of saplings		**91,125**	160,728
Capital contribution to an associate		**–**	(9,600)
Net cash used in investing activities		**(1,141,497)**	(545,279)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**2,131,553**	1,942,045
Repayment of bank and other borrowings	**(1,806,995)**	(1,683,249)
Proceeds from issue of shares	**–**	7,750
Repayment of finance lease payables	**(145,125)**	(95,963)
Capital contributions from non-controlling interests	**232,006**	106,150
Proceeds from finance leases, net of transaction costs	**193,250**	173,428
Security deposits placed	**(7,500)**	(12,600)
Finance lease charges paid	**(21,123)**	(15,221)
Interest paid on bank and other borrowings	**(141,913)**	(114,005)
Net cash generated from financing activities	**434,153**	308,335
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**126,432**	(10,462)
Effect of foreign exchange rate changes	**15,041**	(2,919)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**167,560**	180,941
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**309,033**	167,560
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**309,033**	167,560

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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 2018, the Group had net current liabilities of RMB1,128,298,000. 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 2018 that are repayable within the next 12 months are subject to renewal and the directors of the Company 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 of the Company 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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) IFRS 9 Financial Instruments; and

(ii) IFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of IFRS 9 resulted in the following changes to the Group's accounting policies.

(i) Classification

From 1 January 2018, the Group classifies all its financial assets to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

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

(a) Application of new and revised IFRSs (Continued)

IFRS 9 Financial Instruments (Continued)

(iii) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires ECL to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of IFRS 9 on the Group.

The following table summaries the impact on the Group's opening retained profits as at 1 January 2018 is as follows:

	Note	RMB'000
Increase in impairment losses for trade and other receivables charged to retained profits from adoption of IFRS 9 on 1 January 2018	(a)	109
Attributable to:		
Owners of the Company		109

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	**Note**	**Classification under IAS 39**	**Classification under IFRS 9**	**Carrying amount under IAS 39** RMB'000	**Carrying amount under IFRS 9** RMB'000
Trade and other receivables	(a)	Loans and receivables	Amortised cost	260,627	260,518
Due from related companies	(a)	Loans and receivables	Amortised cost	164	164
Pledged bank deposits	(a)	Loans and receivables	Amortised cost	120,168	120,168
Bank and cash balances	(a)	Loans and receivables	Amortised cost	167,560	167,560

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

(a) Application of new and revised IFRSs (Continued)

IFRS 9 Financial Instruments (Continued)

For assets in scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9 impairment model requirements at 1 January 2018 results in an additional impairment allowance as follows:

	Note	RMB'000
Impairment allowance at 31 December 2017 under IAS 39		7,158
Additional impairment recognised at 1 January 2018 on trade and other receivables	(a)	109
Impairment allowance at 1 January 2018 under IFRS 9		7,267

Note:

(a) Trade and other receivables, amounts due from related companies, pledged bank deposits and bank and cash balances that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of approximately RMB109,000 in the allowance for impairment of the trade receivables was recognised in opening retained profits at 1 January 2018 on transition to IFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and the related interpretations.

The Group (i) manufactures and sells a range of fruit juice concentrate and related products in the wholesale market; and (ii) sells apple saplings, apples and other fruits in the wholesale market or directly to the customers through its retail stores and on-line sales platforms. Sales are recognsied when control of the products has transferred, being when the products are delivered to the wholesaler or customer, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's/customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

(a) Application of new and revised IFRSs (Continued)

IFRS 15 Revenue from Contracts with Customers (Continued)

The following tables summarise the estimated impact of adoption of IFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under IFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under IAS 18 if the superseded standard had continued to apply to 2018 instead of IFRS 15. These tables show only those line items impacted by the adoption of IFRS 15:

	Note	Amounts reported in accordance with IFRS 15 RMB'000	Hypothetical amounts under IAS 18 RMB'000	Estimated impact of adoption of IFRS 15 RMB'000
As at 31 December 2018				
Consolidated statement of financial position (extract)				
Inventories	(a)	748,092	783,375	(35,283)
Trade and other receivables	(a)	432,444	390,741	41,703
Trade and other payables	(a)	(1,089,593)	(1,086,228)	(3,365)
For the year ended 31 December 2018				
Consolidated statement of profit or loss and other comprehensive income (extract)				
Revenue	(a)	1,752,807	1,714,469	38,338
Cost of sales	(a)	(1,500,567)	(1,465,284)	(35,283)

Note:

(a) Previously, revenue from the sales of manufactured goods and trading of raw materials would be recognised on the transfer of significant risks and rewards of ownership, which generally coincided with the time when the goods were delivered and the title had passed to the customers, being the time when the delivered goods were fully inspected and the quality and quantity were agreed by both parties in accordance with terms of the agreements.

Under IFRS 15, revenue from the sales of manufactured goods and trading of raw materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). As a result, revenue and respective costs, including the value added taxes, were recognised for those goods shipped before the end of the reporting period.

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

(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 2018. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to IAS 28 Long-term Interest in Associates and Joint Ventures	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 IFRS 16 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 16, the actual impacts upon the initial adoption of the standard 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 standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that interim financial report.

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.

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 (Continued)

As disclosed in note 38, the Group's future minimum lease payments under non-cancellable operating leases for its warehouses, office premises and lands amounted to RMB2,513,298,000 as at 31 December 2018. 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.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation of IAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

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.

(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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

- 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 and apple saplings before harvest in leased farms and are classified as current assets if they are to be sold within one year.

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 and apple saplings growing on leased farms are accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches and apple saplings 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 and apple saplings 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) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 4(z) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, 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.

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash and cash equivalents

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

(n) 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.

(o) 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.

(p) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under IFRS 9; and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

(q) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Equity instruments

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

(s) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of manufactured goods and trading of raw materials is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Policy prior to 1 January 2018

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group when specific criteria have been met for each of the Group's activities.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) 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.

(v) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

(x) 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) 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.

(z) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Policy prior to 1 January 2018

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(aa) 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.

(ab) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) Going concern basis

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

(b) Transfer of apple saplings from bearer plants to biological assets

In the past, apple saplings were mainly cultivated for the development of the Group's fruit plantation business, with occasional sales made to fruit farmers as requested by the local municipal governments. With the emphasis and support from the central government in early 2018, the modernisation of agriculture and rural areas was expected to accelerate in the coming years. Being a core supplier of modernised apple saplings in the field, the Group expected the demand will grow explosively. In view of this business opportunity driven by the central government and after reviewing the performance of sales of apple saplings in the first half of the year, the Group considered that apple saplings ceased to meet the definition of bearer plants as sales of apple saplings were no longer incidental to the business of the Group. As a result, the accumulated costs of apple saplings were transferred from bearer plants to biological assets and sales of apple saplings became a core business of the agriculture segment thereafter. During the year, gain on disposals of apple saplings amounted to RMB59,571,000 (2017: RMB94,737,000) was recognised in other gains and losses (note 9) before apple saplings ceased to meet the definition of bearer plants.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2018 was RMB3,101,839,000 (2017: RMB2,394,742,000).

(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 2018 was RMB1,130,881,000 (2017: RMB933,491,000).

(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 RMB15,726,000 (2017: RMB12,479,000) was charged to profit or loss based on the estimated profit.

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

Determining whether property, plant and equipment and bear plants are impaired requires an estimation of the value in use of respective 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 RMB3,101,839,000 and RMB1,130,881,000 respectively at the end of the reporting period and no impairment provision was required.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(e) Impairment of trade receivables

Prior to the adoption of IFRS 9 on 1 January 2018, management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade receivables was RMB216,245,000 (net of allowance for doubtful debts of RMB7,158,000).

Since the adoption of IFRS 9 on 1 January 2018, management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade receivables is RMB225,337,000 (net of allowance for doubtful debts of RMB6,473,000).

(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. Allowance for slow-moving inventories of approximately RMB26,551,000 (2017: reversal of allowance of RMB7,522,000) was made for the year ended 31 December 2018.

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, United States dollars ("USD") and Euro ("EUR"). 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, bank borrowings and bills payables, which expose the Group to foreign currency risk. Approximately 39% (2017: 34%) 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:

	2018 **RMB'000**	2017 RMB'000
Assets		
Trade and other receivables	**23,582**	88,463
Bank and cash balances	**15,317**	22,065
	38,899	110,528
Liabilities		
Trade and other payables	**(34,005)**	(34,223)
Bank and other borrowings	**(251,468)**	(305,107)
	(285,473)	(339,330)
Net exposure	**(246,574)**	(228,802)

As at 31 December 2018, bills payables of a subsidiary denominated in EUR amounted to RMB102,392,000 (2017: RMBNil). The Group is mainly exposed to the fluctuation of USD and EUR against RMB.

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in RMB against USD and EUR. 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 pre-tax profit where RMB strengthens 5% (2017: 5%) against USD and EUR and vice versa.

	2018 RMB'000	2017 RMB'000
Profit before tax		
– USD	**12,329**	11,440
– EUR	**5,120**	–

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due ranging from 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	0.7%	191,857	1,395
Up to 3 months past due	0.5%	21,752	114
3 to 6 months past due	5.1%	6,503	329
6 months to 1 year past due	25.4%	7,557	1,922
Over 1 year past due	65.5%	4,141	2,713
		231,810	6,473

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 January 2018

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 December 2017, trade receivables of HK$7,158,000 were determined to be impaired. The ageing analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	173,138
Up to 3 months past due	35,380
3 to 6 months past due	5,468
6 months to 1 year past due	1,531
Over 1 year past due	728
	216,245

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Prior to 1 January 2018 (Continued)

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

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	RMB'000
At 1 January 2017, 31 December 2017 and 1 January 2018 under IAS 39	7,158
Impact on initial application of IFRS 9 (note 3)	109
Adjusted balance at 1 January 2018	7,267
Impairment losses recognised for the year	4,312
Amounts written off during the year	(5,106)
At 31 December 2018	6,473

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during 2018:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of RMB3,651,000;

– increase in days past due over 1 year resulted in an increase in loss allowance of RMB661,000; and

– a write-off of trade receivables with a gross carrying amount of RMB5,106,000 resulted in a decrease in loss allowance of RMB5,106,000.

The Group's other financial assets at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. The financial assets are considered to be low credit risk when they have a low of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

(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 management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. 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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

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

Specifically, bank 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	Between 1 and 2 years	Between 2 and 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2018						
Trade and other payables	N/A	**1,017,451**	**–**	**–**	**1,017,451**	**1,017,451**
Bills payables	N/A	**409,854**	**25,598**	**–**	**435,452**	**435,452**
Dividend payable to non-controlling shareholders of a subsidiary	N/A	**63**	**–**	**–**	**63**	**63**
Bank and other borrowings						
– fixed-rate	4.58	**1,014,786**	**89,905**	**852,701**	**1,957,392**	**1,748,246**
– variable-rate	5.36	**413,299**	**233,020**	**167,247**	**813,566**	**761,039**
Finance lease obligations	7.56	**202,783**	**161,441**	**29,968**	**394,192**	**350,872**
		3,058,236	**509,964**	**1,049,916**	**4,618,116**	**4,313,123**
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

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.

6. FINANCIAL RISK MANAGEMENT (Continued)

(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, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

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 2018, 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 RMB3,938,000 (2017: RMB5,191,000) 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 and apple sapling 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 and apple saplings. 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 and apple sapling 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 and apple sapling plantation business requires a high level of cash flow before fruit and apple sapling 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 2018

	2018 RMB'000	2017 RMB'000
Financial assets:		
Financial assets measured at amortised cost	**959,517**	–
Loan and receivables (including cash and cash equivalents)	**–**	548,519
Financial liabilities:		
Financial liabilities at amortised cost	**3,962,251**	3,342,668

(g) Fair values

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 2018			
Finance lease payables	**397,432**	**(46,560)**	**350,872**
As at 31 December 2017			
Finance lease payables	344,021	(39,060)	304,961

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:

	2018 RMB'000	2017 RMB'000
Sales of fruit juice concentrate and related products	**1,306,138**	1,293,046
Sales of apples and other fruits	**201,729**	89,630
Sales of apple saplings	**244,940**	–
	1,752,807	1,382,676

8. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Interest income on bank deposits	**2,879**	1,504
PRC government grants (note)	**225,739**	232,545
Amortisation of deferred government grants (note 30)	**4,696**	70,470
Others	**6,413**	5,521
	239,727	310,040

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

	2018 RMB'000	2017 RMB'000
Gain on disposals of saplings (note)	**64,024**	95,153
Gain on disposals of consumables	**4,400**	–
Net foreign exchange (losses)/gains	**(12,032)**	10,439
Loss on disposals of property, plant and equipment	**(2,387)**	(709)
Other gain	**6,065**	896
	60,070	105,779

Note: Included gain on disposals of apple saplings of RMB59,571,000 (2017: RMB94,737,000) before apple saplings ceased to meet the definition of bearer plants.

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 apple saplings, apples and other fruits

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

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

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

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10. SEGMENT INFORMATION (Continued)

Information about operating segment profit or loss:

	Fruit juice operation		Agriculture operation		Total	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Revenue from external customers	**1,306,138**	1,293,046	**446,669**	89,630	**1,752,807**	1,382,676
Intersegment revenue	**73**	334	**878**	1,979	**951**	2,313
Reportable segment revenue	**1,306,211**	1,293,380	**447,547**	91,609	**1,753,758**	1,384,989
Less: intersegment revenue					**(951)**	(2,313)
Consolidated revenue					**1,752,807**	1,382,676
Segment results	**5,184**	100,589	**41,439**	(59,810)	**46,623**	40,779
Other income					**239,727**	310,040
Share of loss of an associate					**(1,638)**	(8,678)
Unallocated amounts:						
Other gains and losses					**(12)**	7
Administrative expenses					**(52,110)**	(45,211)
Finance costs					**(139,078)**	(108,298)
Consolidated profit before tax					**93,512**	188,639
Depreciation of property, plant and equipment	**15,091**	36,108	**15,739**	10,029	**30,830**	46,137
Depreciation of bearer plants	**–**	–	**2,514**	2,348	**2,514**	2,348
Loss on disposals of property, plant and equipment	**2,368**	415	**19**	294	**2,387**	709
Amortisation of prepaid land lease payments	**1,957**	3,272	**1,472**	5,563	**3,429**	8,835
Change in fair value due to biological transformation	**–**	–	**(235,988)**	16,084	**(235,988)**	16,084
Gain on disposals of saplings	**–**	–	**(64,024)**	(95,153)	**(64,024)**	(95,153)
Write off of bearer plants	**–**	–	**152**	–	**152**	–
Write off of biological assets	**–**	–	**11,617**	–	**11,617**	–
Allowance/(reversal of allowance) for inventories	**26,551**	(7,522)	**–**	–	**26,551**	(7,522)
Write off of inventories	**91**	708	**–**	–	**91**	708
Impairment losses for trade receivables	**138**	–	**4,174**	–	**4,312**	–
Write off of property, plant and equipment	**671**	2,798	**588**	669	**1,259**	3,467

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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States of America (the "USA")	**483,664**	378,607	**177**	200
Canada	**96,556**	133,049	**–**	–
PRC	**802,295**	405,034	**4,542,986**	3,506,638
South Africa	**90,593**	97,946	**–**	–
Saudi Arabia	**9,520**	21,644	**–**	–
Japan	**78,421**	83,849	**–**	–
Australia	**30,983**	52,057	**–**	–
Russia	**87,981**	78,705	**–**	–
Germany	**3,298**	27,483	**–**	–
Netherlands	**7,362**	20,175	**–**	–
Poland	**–**	32,921	**–**	–
Others	**62,134**	51,206	**–**	–
	1,752,807	1,382,676	**4,543,163**	3,506,838

Revenue from major customer:

	2018	2017
	RMB'000	RMB'000
Agriculture operation segment		
Customer A (note)	**189,725**	N/A

Note: Customer A contributes 10% or more than 10% of the total revenue of the Group during the year ended 31 December 2018.

Information about major products:

	2018	2017
	RMB'000	RMB'000
Apple juice	**1,044,228**	1,008,090
Other juice	**169,323**	191,352
Fresh fruits	**201,729**	89,630
Apple saplings	**244,940**	–
Others	**92,587**	93,604
	1,752,807	1,382,676

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11. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Finance lease charges	**28,095**	18,843
Interest on bank and other borrowings	**154,465**	127,043
Total borrowing costs	**182,560**	145,886
Amount capitalised	**(43,482)**	(37,588)
	139,078	108,298

12. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**2,159**	2,959
Other jurisdiction	**494**	281
Underprovision in prior years	**8,387**	2,416
	11,040	5,656
Deferred tax (note 31)	**4,686**	6,823
	15,726	12,479

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 2017 and 2018. 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 the fruit juice operations 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 2017 and 2018, subject to an 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 the agriculture operations of the Group in the PRC are exempted from EIT on profits derived from fruits cultivation for the years ended 31 December 2017 and 2018, subject to an 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 (Continued)

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

	2018	2017
	RMB'000	RMB'000
Profit before tax	**93,512**	188,639
Tax at the PRC EIT rate of 25% (2017: 25%)	**23,378**	47,160
Tax effect of income that is not taxable	**(25,228)**	(60,816)
Tax effect of expenses that are not deductible	**25,882**	19,282
Tax effect of tax losses not recognised	**55,076**	41,533
Tax effect of share of loss of an associate	**409**	2,170
Tax effect of utilisation of tax losses not previously recognised	**(2,384)**	(6,890)
Tax exemption and tax concession	**(74,227)**	(40,449)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**(253)**	1,250
Underprovision in prior years	**8,387**	2,416
Withholding tax	**4,686**	6,823
Income tax expense	**15,726**	12,479

13. PROFIT FOR THE YEAR

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

	2018	2017
	RMB'000	RMB'000
Auditors' remuneration	**2,300**	2,350
Amortisation of prepaid land lease payments	**78,133**	40,323
Less: amount capitalised into cost of bearer plants/biological assets	**(74,704)**	(30,918)
	3,429	9,405
Depreciation of property, plant and equipment		
– owned assets	**61,076**	76,356
– assets under finance lease	**40,004**	39,658
	101,080	116,014
Less: amount capitalised into cost of bearer plants/biological assets/inventories	**(64,854)**	(64,275)
	36,226	51,739
Operating lease charges for land and buildings	**16,704**	4,238
Depreciation of bearer plants	**2,514**	2,348
Allowance/(reversal of allowance) for inventories (included in cost of sales)	**26,551**	(7,522)
Write off of bearer plants	**152**	–
Write off of biological assets	**11,617**	–
Write off of inventories	**91**	708
Cost of inventories sold	**1,500,567**	1,090,905
Loss on disposals of property, plant and equipment	**2,387**	709
Write off of property, plant and equipment	**1,259**	3,467

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13. PROFIT FOR THE YEAR (Continued)

There was a reversal of allowance for inventories of approximately RMB7,522,000 for the year ended 31 December 2017, being the result of persistent effort of management to improve the ageing of inventories and certain slow-moving inventories are sold during that year.

14. EMPLOYEE BENEFITS EXPENSE

	2018 RMB'000	2017 RMB'000
Employee benefits expense (excluding directors' emoluments):		
Salaries, bonuses and allowances	**357,916**	270,270
Retirement benefit scheme contributions	**17,788**	15,985
Total staff costs	**375,704**	286,255
Less: staff costs capitalised into inventories	**(63,412)**	(44,591)
Less: staff costs capitalised into biological assets	**(16,158)**	(7,777)
Less: staff costs capitalised into cost of bearer plants	**(89,905)**	(70,640)
	206,229	163,247

The five highest paid individuals in the Group during the year included three (2017: three) directors whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining two (2017: two) individuals are set out below:

	2018 RMB'000	2017 RMB'000
Salaries, bonuses and allowances	**1,840**	2,003
Retirement benefit scheme contributions	**151**	130
	1,991	2,133

The emoluments fell within the following bands:

	Number of individuals 2018	 2017
Nil to HK$1,000,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	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		Total	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Executive directors										
Mr. Gao Liang ("Mr. Gao")	**–**	–	**922**	926	**220**	220	**40**	35	**1,182**	1,181
Mr. Ding Li	**–**	–	**482**	459	**132**	120	**40**	35	**654**	614
Mr. Zhao Chongjun	**–**	–	**442**	439	**100**	100	**40**	35	**582**	574
Mr. Wang Linsong	**–**	–	**422**	339	**96**	70	**40**	35	**558**	444
	–	–	**2,268**	2,163	**548**	510	**160**	140	**2,976**	2,813
Independent non-executive directors										
Mr. Zhao Boxiang	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Li Yuanrui (note (i))	**–**	30	**–**	–	**–**	–	**–**	–	**–**	30
Mr. Chan Bing Chung (note (ii))	**25**	60	**–**	–	**–**	–	**–**	–	**25**	60
Mr. Liu Zhongli (note (iii))	**60**	30	**–**	–	**–**	–	**–**	–	**60**	30
Mr. Chang Xiaobo (note (iv))	**37**	–	**–**	–	**–**	–	**–**	–	**37**	–
	182	180	**–**	–	**–**	–	**–**	–	**182**	180
	182	180	**2,268**	2,163	**548**	510	**160**	140	**3,158**	2,993

Notes:
(i) Resigned on 6 July 2017.
(ii) Resigned on 23 May 2018.
(iii) Appointed on 6 July 2017.
(iv) Appointed on 23 May 2018.

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.

Neither the chief executive nor any of the directors waived any emoluments during the year (2017: 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 of the Company do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

17. EARNINGS PER SHARE

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

	2018	2017
	RMB'000	RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	**79,686**	145,125

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,289,788,000**	1,276,801,064
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**–**	2,286,019
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,289,788,000**	1,279,087,083

As there were no dilutive potential ordinary shares for the Company's share options, diluted earnings per share was same as basic earnings per share for the year ended 31 December 2018.

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 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 and 1 January 2018	1,169,955	1,178,074	510,825	29,956	47,506	349,796	3,286,112
Additions	11,689	21,160	65,603	9,820	5,873	710,903	825,048
Transfer	242,591	44,483	103,360	2,127	1,534	(394,095)	–
Disposals	(12)	(12,657)	(11,345)	(526)	(30)	–	(24,570)
Write off	(390)	(3,229)	(113)	(888)	(1,020)	–	(5,640)
Exchange differences	–	–	–	–	30	–	30
At 31 December 2018	1,423,833	1,227,831	668,330	40,489	53,893	666,604	4,080,980
Accumulated depreciation and impairment							
At 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 and 1 January 2018	208,133	620,888	33,199	6,597	22,553	–	891,370
Charge for the year	33,102	33,911	27,727	2,850	3,490	–	101,080
Disposals	(7)	(7,965)	(743)	(218)	(16)	–	(8,949)
Write off	(22)	(2,765)	(12)	(789)	(793)	–	(4,381)
Exchange differences	–	–	–	–	21	–	21
At 31 December 2018	241,206	644,069	60,171	8,440	25,255	–	979,141
Carrying amount							
At 31 December 2018	1,182,627	583,762	608,159	32,049	28,638	666,604	3,101,839
At 31 December 2017	961,822	557,186	477,626	23,359	24,953	349,796	2,394,742

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) At 31 December 2018 the carrying amount of buildings and machinery pledged as security for the Group's bank and other borrowings and finance lease payables amounted to RMB463,308,000 (2017: RMB538,853,000) and RMB606,709,000 (2017: HK$533,120,000) respectively.

(b) At 31 December 2018 the carrying amount of buildings and machinery held by the Group under finance leases amounted to RMB165,849,000 (2017: RMB149,547,000) and RMB389,779,000 (2017: RMB407,980,000) respectively.

19. PREPAID LAND LEASE PAYMENTS

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

	2018 **RMB'000**	2017 RMB'000
Current assets	**18,567**	18,564
Non-current assets	**154,215**	122,631
	172,782	141,195
Analysed as:		
Prepaid land lease payments for		
– bearer plants	**24,035**	36,582
– manufacturing plants and offices	**148,747**	104,613
	172,782	141,195

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

At 31 December 2018 the carrying amount of prepaid land lease payments pledged as security for the Group's bank borrowings amounted to RMB62,687,000 (2017: RMB41,401,000).

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20. BEARER PLANTS

	Apple	Rootstock	Mulberry	Blueberry	Cherry	Kiwi	Tangerine	Pear	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Infant trees										
Cost										
At 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)
At 31 December 2017 and 1 January 2018	696,451	12,709	–	40,623	1,284	19,985	89,120	15,265	2,893	878,330
Additions	230,033	3,082	–	23,044	19,444	9,883	111,468	7,105	1,272	405,331
Transfer to biological assets (note 22)	(185,257)	–	–	–	–	–	–	–	–	(185,257)
Disposals	(10,882)	–	–	–	(6)	(409)	(6,846)	(1,973)	(13)	(20,129)
At 31 December 2018	730,345	15,791	–	63,667	20,722	29,459	193,742	20,397	4,152	1,078,275
Carrying amount										
At 31 December 2018	730,345	15,791	–	63,667	20,722	29,459	193,742	20,397	4,152	1,078,275
At 31 December 2017	696,451	12,709	–	40,623	1,284	19,985	89,120	15,265	2,893	878,330
Mature trees										
Cost										
At 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 and 1 January 2018	46,392	9,362	506	151	3,193	–	–	–	–	59,604
Additions	–	–	–	–	111	–	–	–	–	111
Write off	(141)	–	(13)	–	–	–	–	–	–	(154)
At 31 December 2018	46,251	9,362	493	151	3,304	–	–	–	–	59,561
Accumulated depreciation										
At 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 and 1 January 2018	2,695	688	55	45	960	–	–	–	–	4,443
Charge for the year	1,850	467	16	8	173	–	–	–	–	2,514
Write off	–	–	(2)	–	–	–	–	–	–	(2)
At 31 December 2018	4,545	1,155	69	53	1,133	–	–	–	–	6,955
Carrying amount										
At 31 December 2018	41,706	8,207	424	98	2,171	–	–	–	–	52,606
At 31 December 2017	43,697	8,674	451	106	2,233	–	–	–	–	55,161
Total carrying amount										
At 31 December 2018	772,051	23,998	424	63,765	22,893	29,459	193,742	20,397	4,152	1,130,881
At 31 December 2017	740,148	21,383	451	40,729	3,517	19,985	89,120	15,265	2,893	933,491

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20. BEARER PLANTS (Continued)

At 31 December 2018 the carrying amount of bearer plants pledged as security for the Group's bank and other borrowings and finance lease payables amount to RMB177,833,000 (2017: RMB19,352,000) and RMB146,551,000 (2017: RMBNil) respectively.

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

	2018	2017
Infant trees	**15,677,501**	17,782,451
Mature trees	**1,065,745**	1,061,183

21. INVESTMENT IN AN ASSOCIATE

	2018 RMB'000	2017 RMB'000
Unlisted investment:		
Share of net assets	**7,749**	9,387

Details of the Group's associate at 31 December 2018 are as follows:

Name	**Place of incorporation/ registration**	**Particular of issued share capital**	**Percentage of ownership interest/ profit sharing 2018**	**2017**	**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	**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	
	2018	2017
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	**13,619**	15,972
Current assets	**4,837**	15,776
Current liabilities	**(2,642)**	(12,591)
Net assets	**15,814**	19,157
Group's share of carrying amount of interests	**7,749**	9,387
Year ended 31 December:		
Revenue	**3**	1,364
Loss for the year	**(3,343)**	(17,918)
Total comprehensive income for the year	**(3,343)**	(17,918)

As at 31 December 2018, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to RMB1,215,000 (2017: RMB12,472,000). 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 saplings RMB'000	Apple RMB'000	Baby carrot RMB'000	Strawberry RMB'000	Tomato RMB'000	Total RMB'000
At 1 January 2017	–	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 (b))	–	(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 and 1 January 2018 (note (c))	–	3,849	1,384	16,332	11,046	32,611
Increase due to cultivation	110,997	18,529	13,820	55,826	35,286	234,458
Transfer from bearer plants (note 20)	185,257	–	–	–	–	185,257
Change in fair value due to biological transformation (note (b))	195,175	13,954	30,636	(5,898)	2,121	235,988
Transfer of harvested fresh fruit bunches/apple saplings to inventories	(370,937)	(26,928)	(43,637)	(51,515)	(32,058)	(525,075)
Write off	–	(980)	(795)	(1,305)	(8,537)	(11,617)
At 31 December 2018 (note (c))	120,492	8,424	1,408	13,440	7,858	151,622

22. BIOLOGICAL ASSETS (Continued)

	2018 RMB'000	2017 RMB'000
Analysed as:		
Current assets	**31,842**	32,611
Non-current assets	**119,780**	–
	151,622	32,611

Notes:

(a) The total area of biological assets as at 31 December 2018 is 69,036 Mu (2017: 54,441 Mu).

(b) During the year, the Group harvested 18,676 (2017: 21,670) tonnes of fruits and 3,745,730 (2017: Nil) apple saplings. 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.

(c) Cultivation costs incurred as additions to the biological assets. Apples and apple saplings are harvested annually from April to November and October to December respectively, 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 and apple saplings 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 2017 and 2018.

The carrying value of biological assets as at 31 December 2017 and 2018 represented cultivation costs incurred including fertilisers, pesticides, labour costs and rentals of farmland.

23. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials and consumables	**172,613**	132,710
Work in progress	**149,579**	180,356
Finished goods	**425,900**	797,604
	748,092	1,110,670

There was a reversal of allowance for inventories of approximately RMB7,522,000 for the year ended 31 December 2017, being the result of persistent effort of management to improve the ageing of inventories and certain slow-moving inventories were sold during that year.

The carrying amount of inventories pledged as security for banking facilities granted to the Group amounted to RMB284,618,000 (2017: RMB437,069,000).

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For the year ended 31 December 2018

24. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	**231,810**	223,403
Less: allowance for doubtful debts	**(6,473)**	(7,158)
	225,337	216,245
Bills receivables	**10,176**	1,424
Value added tax recoverable and other tax recoverable (note)	**44,214**	71,242
Receivables from disposals of saplings	**5,891**	12,863
Advances to suppliers	**17,133**	15,893
Other receivables, deposits and prepayments (note)	**129,693**	81,306
	432,444	398,973

Note: As at 31 December 2018, value added tax recoverable and deposit and other receivables of RMB2,110,000 (2017: RMB21,654,000) and RMB7,985,000 (2017: RMB167,000) 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.

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

	2018 RMB'000	2017 RMB'000
0 to 90 days	**148,911**	206,473
91 to 180 days	**63,818**	6,164
181 to 365 days	**5,891**	1,916
Over 1 year	**6,717**	1,692
	225,337	216,245

24. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2018, trade receivables of approximately RMB43,725,000 (2017: RMB72,651,000) were pledged to a bank to secure bank borrowings as set out in note 28 to the consolidated financial statements.

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

	2018 RMB'000	2017 RMB'000
USD	**65,815**	159,971
RMB	**159,522**	56,274
Total	**225,337**	216,245

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 2018, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to RMB330,847,000 (2017: RMB117,262,000) and RMB287,298,000 (2017: RMB135,239,000) 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 2018, the pledged bank deposits of RMB348,629,000 (2017: RMB120,168,000) carried prevailing interest rate of 0.35% (2017: 0.35%) per annum and bank balances of RMB308,723,000 (2017: RMB167,267,000) carried prevailing interest rate of 0.35% (2017: 0.35%) per annum.

The pledged bank deposits of RMB330,743,000 (2017: RMB117,259,000) are used to secure the bills payables which is payable within 6 to 12 months (2017: 6 to 12 months). Accordingly, the pledged bank deposits are classified as current assets.

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27. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**652,476**	693,768
Payables for acquisition of property, plant and equipment	**174,116**	148,806
Advances from customers	**64,451**	17,533
Accrued salaries	**26,012**	20,027
Accrued interest	**7,850**	5,717
Value added tax and other tax payables	**7,691**	6,848
Other liabilities	**47,995**	20,462
Other payables and accruals	**156,997**	108,074
	1,137,588	1,021,235
Less: other liabilities – non-current portion	**(47,995)**	(20,462)
	1,089,593	1,000,773

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:

	2018 RMB'000	2017 RMB'000
0 to 90 days	**384,638**	504,340
91 to 180 days	**114,322**	109,263
181 to 365 days	**106,151**	43,696
Over 1 year	**47,365**	36,469
	652,476	693,768

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

	2018 RMB'000	2017 RMB'000
USD	**38,611**	36,395
RMB	**613,865**	657,373
Total	**652,476**	693,768

27. TRADE AND OTHER PAYABLES (Continued)

The following table provides information about the Group's revenue related contract liabilities included in trade and other payables upon adoption of IFRS 15:

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract liabilities	**64,451**	17,533	–

There was no significant change in the contract liabilities balance during the reporting period.

Movements in contract liabilities:

	2018 RMB'000
Balance at 1 January	**17,533**
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	**(17,533)**
Increase in contract liabilities as a result of advance received from customers	**64,451**
Balance at 31 December	**64,451**

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28. BANK AND OTHER BORROWINGS

	2018 RMB'000	2017 RMB'000
Bank loans	**1,884,000**	1,669,127
Other borrowings (note (a))	**554,199**	445,748
Loans from government (note (b))	**71,086**	43,138
	2,509,285	2,158,013
Analysed as:		
Secured	**1,555,671**	1,009,623
Unsecured	**145,939**	99,782
Guaranteed	**807,675**	1,048,608
	2,509,285	2,158,013
Analysed as:		
Fixed-rate borrowings	**1,748,246**	1,214,128
Variable-rate borrowings	**761,039**	943,885
	2,509,285	2,158,013

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 11.16% (2017: 2.38% to 20.00%) per annum.

(b) The loans from government was unsecured and borne interest ranging from 3.00% to 16.00% (2017: 4.65% to 10.00%) per annum.

The borrowings are repayable as follows:

	2018 RMB'000	2017 RMB'000
On demand or within one year	**1,338,424**	1,438,768
More than one year, but not exceeding two years	**274,561**	290,513
More than two years, but not more than five years	**896,300**	428,732
	2,509,285	2,158,013
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,338,424)**	(1,438,768)
Amount due for settlement after 12 months	**1,170,861**	719,245

28. BANK AND OTHER BORROWINGS (Continued)

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

	RMB RMB'000	USD RMB'000	Total RMB'000
2018			
Bank loans	**1,607,139**	**276,861**	**1,884,000**
Other borrowings	**554,199**	**–**	**554,199**
Loans from government	**71,086**	**–**	**71,086**
	2,232,424	**276,861**	**2,509,285**
2017			
Bank loans	1,318,280	350,847	1,669,127
Other borrowings	445,748	–	445,748
Loan from government	43,138	–	43,138
	1,807,166	350,847	2,158,013

The interest rates at 31 December were as follows:

	2018	2017
Fixed-rate borrowings	**2.38% to 16.00%**	2.38% to 20.00%
Variable-rate borrowings	**4.35% to 7.84%**	3.49% to 7.84%

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 RMB1,748,246,000 (2017: RMB1,214,128,000) 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 2018 and 2017.

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28. BANK AND OTHER BORROWINGS (Continued)

At 31 December 2018, the bank and other borrowings were secured by:

(i) charge over the Group's property, plant and equipment with a carrying amount of RMB514,389,000 (2017: RMB514,446,000);

(ii) charge over the Group's prepaid land lease payments with a carrying amount of RMB62,687,000 (2017: RMB41,401,000);

(iii) charge over the Group's inventories with a carrying amount of RMB284,618,000 (2017: RMB437,069,000);

(iv) charge over the Group's bank deposits of RMB348,629,000 (2017: RMB120,168,000);

(v) charge over the Group's trade and other receivables with a carrying amount of RMB51,710,000 (2017: RMB72,818,000);

(vi) charge over the Group's bearer plants with carrying amount of RMB177,833,000 (2017: RMB19,352,000);

(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.

29. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**202,782**	134,806	**177,909**	116,571
In the second to fifth years, inclusive	**237,970**	247,831	**219,523**	227,450
	440,752	382,637	**397,432**	344,021
Less: Future finance charges	**(43,320)**	(38,616)	**N/A**	N/A
Present value of lease obligations	**397,432**	344,021	**397,432**	344,021
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(171,449)**	(116,571)
Less: Security deposits			**(46,560)**	(39,060)
Amount due for settlement after 12 months			**179,423**	188,390

29. FINANCE LEASE PAYABLES (Continued)

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.

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.

During the year ended 31 December 2018, certain subsidiaries of the Group entered into finance lease agreements with two independent financing companies under which the Group sold (i) certain buildings and machinery with a carrying amount of RMB101,816,000 and leased back the buildings and machinery with lease period of 3 years; and (ii) bearer plants of 1,716,767 apple trees and leased back the bearer plants with lease period of 3 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.

29. FINANCE LEASE PAYABLES (Continued)

It is the Group's policy to sale and lease back certain of its buildings and machinery under finance leases. The average lease term is 4 (2017: 4) years. At 31 December 2018, the average effective borrowing rate was 7.56% (2017: 5.30%). Finance lease payables of RMB15,620,000 (2017: RMB49,932,000) 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, bearer plants and value added tax recoverable of RMB165,849,000 (2017: RMB149,547,000), RMB389,779,000 (2017: RMB407,980,000), RMB146,551,000 (2017: RMBNil) and RMB2,110,000 (2017: RMB21,654,000) 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.

	2018 **RMB'000**	2017 RMB'000
At 1 January	**130,292**	130,204
Received during the year	**25,285**	70,558
Credit to profit or loss for the year (note 8)	**(4,696)**	(70,470)
At 31 December	**150,881**	130,292
Analysed as:		
Current liabilities	**7,409**	4,671
Non-current liabilities	**143,472**	125,621
	150,881	130,292

During the year ended 31 December 2018, 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 RMBNil (2017: RMB889,000), RMBNil (2017: RMB21,399,000), RMB15,485,000 (2017: RMB37,460,000) and RMB9,800,000 (2017: RMB10,810,000) 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:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**22,119**	15,296
Charge to profit or loss for the year (note 12)	**4,686**	6,823
At 31 December	**26,805**	22,119

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 RMB26,805,000 (2017: RMB22,119,000) 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 RMB676,947,000 (2017: RMB635,271,000). 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 RMB538,842,000 (2017: RMB352,866,000) 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 2023 (2017: 2022).

32. SHARE CAPITAL

	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	10,000,000,000	100,000,000
Issued and fully paid:		
At 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 January 2018 and 31 December 2018	1,289,788,000	12,897,880

	2018 RMB'000	2017 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,296**	13,296

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(u).

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.

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:

	2018 **RMB'000**	2017 RMB'000
Bank and other borrowings	**2,509,285**	2,158,013
Bills payables	**435,452**	208,200
Finance lease payables	**350,872**	304,961
	3,295,609	2,671,174
Less: Pledged bank deposits	**(348,629)**	(120,168)
Bank and cash balances	**(309,033)**	(167,560)
Net debt	**2,637,947**	2,383,446
Total equity	**1,820,572**	1,510,597
Gearing ratio	**144.9%**	157.8%

The decrease in the gearing ratio during 2018 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 have been no breaches in the financial covenants of any interest-bearing borrowing for the year ended 31 December 2018 and the financial covenant and early repayment option breached by Haisheng US were 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	2018 RMB'000	2017 RMB'000
Non-current assets			
Investments in subsidiaries		**686,207**	678,064
Current assets			
Due from subsidiaries		**15,025**	15,002
Bank balances		**6,238**	10,042
Dividend receivable		**4,644**	4,607
		25,907	29,651
Current liabilities			
Other payables		**2,453**	2,439
Financial guarantees		**30,880**	31,793
		33,333	34,232
Net current liabilities		**(7,426)**	(4,581)
NET ASSETS		**678,781**	673,483
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	32	**13,296**	13,296
Reserves	33(b)	**665,485**	660,187
EQUITY		**678,781**	673,483

Approved by the board of directors on 28 March 2019 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	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
At 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 and 1 January 2018	**212,838**	**431,247**	**4,352**	**11,750**	**660,187**
Total comprehensive income for the year	**–**	**–**	**–**	**5,298**	**5,298**
Lapse of share options	**–**	**–**	**(4,352)**	**4,352**	**–**
At 31 December 2018	**212,838**	**431,247**	**–**	**21,400**	**665,485**

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(u) 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.

34. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(vii) Other reserve (Continued)

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.

During the year ended 31 December 2018, pursuant to a capital increase agreement, an independent third party had made capital contributions to a subsidiary of the Group resulting in a dilution of shareholding in this subsidiary. The difference of RMB3,062,000 between the capital contributions of RMB50,000,000 and the amount of NCI adjusted of RMB46,938,000 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.

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 2018:

Date of grant	Vesting period	Exercise price HK$	Exercisable period	Outstanding at 1.1.2018	Lapsed during the year	Outstanding at 31.12.2018
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)	–
				37,760,000	(37,760,000)	–
Weighted average exercise price (HK$)				0.455	0.455	–
Exercisable at 31 December 2018						–

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

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 years ended 31 December 2017 and 2018.

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 had a weighted average remaining contractual life of 0.56 year.

At the date of approval of these consolidated financial statements, the Company had Nil (2017: 37,760,000) share options outstanding under the Scheme, which represented approximately Nil% (2017: 2.93%) of the Company's shares in issue as at that date.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

Additions to property, plant and equipment during the year of approximately RMB102,392,000 (2017: RMBNil) was financed by bills payables.

(b) 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 RMB'000	Cash flows RMB'000	Interest expense/ finance lease charges RMB'000	Others (note) RMB'000	At 31 December RMB'000
2018					
Bank and other borrowings	**2,158,013**	**182,645**	**154,465**	**14,162**	**2,509,285**
Finance lease payables	**304,961**	**19,502**	**28,095**	**(1,686)**	**350,872**
	2,462,974	**202,147**	**182,560**	**12,476**	**2,860,157**
2017					
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.

Notes to the Consolidated Financial Statements

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37. CAPITAL COMMITMENTS

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

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	310,496	255,535
Bearer plants	507	2,764
Capital contribution to an associate	29,400	29,400
	340,403	287,699

38. LEASE COMMITMENTS

At 31 December 2018 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within one year	78,104	52,803
In the second to fifth years inclusive	377,621	256,684
After five years	2,057,573	1,652,456
	2,513,298	1,961,943

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 and other borrowings and finance lease payables:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	1,070,017	1,071,973
Bearer plants	324,384	19,352
Prepaid land lease payments	62,687	41,401
Pledged bank deposits	348,629	120,168
Inventories	284,618	437,069
Trade and other receivables	53,820	94,472
	2,144,155	1,784,435

40. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

	2018 RMB'000	2017 RMB'000
Due from related companies	**164**	164
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63

As at 31 December 2018, the amounts of RMB11,000 (2017: RMB11,000) and RMB153,000 (2017: 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 2018 were RMB11,000 (2017: RMB11,000) and RMB153,000 (2017: 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:

	2018 RMB'000	2017 RMB'000
Short-term benefits	**5,720**	5,720
Post-employment benefits	**353**	308
	6,073	6,028

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

During the year ended 31 December 2018, Mr. Gao (a director of the Company) and his spouse, provided personal guarantees for banking and finance lease facilities granted to the Group of approximately RMB567,800,000 (2017: RMB346,261,000) and RMB397,432,000 (2017: RMB344,022,000) respectively.

(d) Other transactions

As at 31 December 2017, share options of 700,000 were granted to the spouse of Mr. Gao, a director of the Company, in respect of her service to the Group. All these share options were lapsed during the year ended 31 December 2018. In addition, the Group incurred an expense of approximately RMB1,409,000 (2017: RMB1,561,000) as her salaries and allowance.

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41. SUBSIDIARIES

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 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		
				2018	2017	**2018**	2017	
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)]	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
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

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 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 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
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%**	99.6%	Manufacture and sale of bottled fruit juice
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%**	58.2%	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%**	58.2%	Plantation and sale of apples and apple saplings
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%**	58.2%	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%**	58.2%	Plantation and sale of apples

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41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 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		
				2018	2017	**2018**	2017	
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%**	58.2%	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%**	58.2%	Plantation and sale of apples
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%**	58.2%	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%**	58.2%	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%**	58.2%	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%**	58.2%	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%**	58.2%	Plantation and sale of apples

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 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 2018	Direct 2017	Indirect 2018	Indirect 2017	Principal activities
昭通海升現代農業有限公司 translated as Zhaotong Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
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%**	58.2%	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%**	58.2%	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%**	58.2%	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%**	58.2%	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%**	58.2%	Plantation and sale of apples
昭通超越農業有限公司 translated as Zhaotong Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB97,500,000	–	–	**40.8%**	–	Plantation and sale of apples

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41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 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		
				2018	2017	**2018**	2017	
陝西超越農業有限公司 translated as Shaanxi Chaoyue Agriculture Co., Ltd. (2) ("Shaanxi Chaoyue")	PRC	PRC	RMB500,000,000	**–**	–	**99.6%**	99.6%	Investment holding
寶雞超越農業有限公司 translated as Baoji Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	**–**	–	**99.6%**	99.6%	Plantation and sale of apples
彬縣海越農業有限公司 translated as Bin County Haiyue Agriculture Co., Ltd. (2) ("Bin County Haiyue")	PRC	PRC	RMB130,000,000	**–**	–	**66.8%**	66.8%	Plantation and sale of apples
慶陽海越現代有限公司 translation as Qingyang Haiyue Modern Agriculture Co., Ltd.	PRC	PRC	RMB70,000,000	**–**	–	**99.6%**	99.6%	Plantation and sale of apples and apple saplings
慶陽寧越現代農業有限公司 translated as Qingyang Ningyue Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB90,375,750	**–**	–	**59.8%**	59.8%	Plantation and sale of apples
洛寧超越農業有限公司 translated as Luoning Chaoyue Agriculture Co., Ltd. (2) ("Luoning Chaoyue")	PRC	PRC	RMB24,767,932	**–**	–	**57.2%**	–	Plantation and sale of apples
鹽城海升現代農業科技有限公司 translated as Yancheng Haisheng Modern Agriculture Technology Co., ltd (2) (Yancheng Haisheng")	PRC	PRC	RMB110,000,000	**–**	–	**50.8%**	–	Plantation and sale of apples

41. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

Notes:

(1) Sino-foreign equity joint venture 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 8 January 2017, Shaanxi Chaoyue, a non-wholly owned subsidiary the Company, entered into an investment cooperation 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"), 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 I, 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 II") with 寧波信合聚力投資合夥企業 ("信合聚力") and 寧波梅山保税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 II, 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.

On 29 December 2017, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into an investment agreement (the "Agreement III") with 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 III, to inject an additional capital of RMB70,000,000 into Luoning Chaoyue, a wholly-owned subsidiary of Shaanxi Chaoyue. Pursuant to the Agreement III, Shaanxi Chaoyue and 河南產業投資基金 shall contribute additional capital of RMB20,000,000 and RMB50,000,000 respectively. 河南產業投資基金 had made full capital contribution and the Group received total cash capital contribution of RMB50,000,000 from the non-controlling shareholder. The amount of RMB3,062,000, being the difference between the capital contribution of RMB50,000,000 and the amount of NCI adjusted of RMB46,938,000, was directly recognised in other reserve during the year ended 31 December 2018.

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) and Yanchang Haisheng 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		Yanchang Haisheng	
	2018	2017	**2018**	2017
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by NCI	**41.75%/ 41.75%**	41.75%/ 41.75%	**49.20%/ 49.20%/**	–/–
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**785,675**	662,755	**48,951**	–
Current assets	**425,001**	307,387	**62,558**	–
Non-current liabilities	**(350,182)**	(115,104)	**–**	–
Current liabilities	**(212,440)**	(243,139)	**(731)**	–
	648,054	611,899	**110,778**	–
Accumulated NCI	**299,779**	255,486	**54,500**	–
Year ended 31 December:				
Revenue	**287,381**	203,724	**26**	–
(Loss)/profit	**(14,345)**	73,157	**777**	–
Total comprehensive income	**(14,345)**	73,157	**777**	–
(Loss)/profit allocated to NCI	**(6,207)**	31,304	**382**	–
Dividends paid to NCI	**–**	–	**–**	–
Net cash generated from/ (used in) operating activities	**68,705**	(97,091)	**(23,891)**	–
Net cash used in investing activities	**(162,989)**	(74,222)	**(23,473)**	–
Net cash generated from financing activities	**140,888**	173,116	**84,500**	–
Net increase in cash and cash equivalents	**46,604**	1,803	**37,136**	–

As at 31 December 2018, the pledged bank deposits and bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to RMB618,145,000 (2017: RMB254,163,000). 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 30 August 2018, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement IV") with 平涼市崆峒惠農投資發展有限責任公司 ("Kongdong Huinong"), an independent third party at the time of the Agreement IV, pursuant to which Shaanxi Chaoyue and Kongdong Huinong have agreed to establish a company in the PRC (the "JV Company I") with a registered capital of RMB54,000,000 and each of Shaanxi Chaoyue and Kongdong Huinong has agreed to contribute to the registered capital of the JV Company I at RMB28,080,000 and RMB25,920,000, respectively. Upon the completion of the capital contributions, the JV Company I will be owned as to 52% and 48% by Shaanxi Chaoyue and Kongdong Huinong respectively.

(b) On 6 December 2018, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into two joint venture agreements (the "Agreement V" and "Agreement VI") with 武威涼州農業產業扶貧開發有限責任公司 ("Wuwei Agriculture"), an independent third party at the time of the Agreement V and Agreement VI.

Pursuant to Agreement V, Shaanxi Chaoyue and Wuwei Agriculture have agreed to establish a company in the PRC (the "JV Company II") with a registered capital of RMB33,670,000 and each of Shaanxi Chaoyue and Wuwei Agriculture has agreed to contribute to the registered capital of the JV Company II at RMB10,000,000 and RMB23,670,000, respectively. Upon the completion of the capital contributions, the JV Company II will be owned as to 90% and 10% by Shaanxi Chaoyue and Wuwei Agriculture respectively.

Pursuant to Agreement VI, Shaanxi Chaoyue and Wuwei Agriculture have agreed to establish a company in the PRC (the "JV Company III") with a registered capital of RMB98,890,000 and each of Shaanxi Chaoyue and Wuwei Agriculture has agreed to contribute to the registered capital of the JV Company III at RMB20,000,000 and RMB78,890,000, respectively. Upon the completion of the capital contributions, the JV Company III will be owned as to 90% and 10% by Shaanxi Chaoyue and Wuwei Agriculture respectively.

(c) On 28 December 2018, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement VII") with 魯甸縣農業投資開發有限公司 ("Ludian Agriculture"), an independent third party at the time of the Agreement VII, pursuant to which Shaanxi Chaoyue and Ludian Agriculture have agreed to establish a company in the PRC (the "JV Company IV") with a registered capital of RMB50,000,000 and each of Shaanxi Chaoyue and Ludian Agriculture has agreed to contribute to the registered capital of the JV Company IV at RMB35,000,000 and RMB15,000,000, respectively. Ludian Agriculture also agreed to contribute additional paid-in capital of RMB30,000,000 to the JV Company IV. Upon the completion of the capital contributions, the JV Company IV will be owned as to 70% and 30% by Shaanxi Chaoyue and Ludian Agriculture respectively.