

2020



INTERIM REPORT

海升集团 2020 Interim Report

HAISHENG

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

Stock Code: 359

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Stock Code

359

Executive Directors:

Mr. Gao Liang (*Chairman*)
Mr. Wang Junqing
Mr. Wang Yasen
Mr. Wang Linsong

Independent non-executive directors:

Mr. Zhao Boxiang
Mr. Liu Zhongli
Ms. Huang Liqiong

Company Secretary

Mr. Terence Sin Yuen Ko, FCCA

Authorised Representatives

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

Audit Committee Members

Ms. Huang Liqiong (*Chairman*)
Mr. Zhao Boxiang
Mr. Liu Zhongli

Remuneration Committee Members

Mr. Zhao Boxiang (*Chairman*)
Mr. Liu Zhongli
Ms. Huang Liqiong

Nomination Committee Members

Mr. Gao Liang (*Chairman*)
Mr. Liu Zhongli
Mr. Zhao Boxiang
Ms. Huang Liqiong

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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

Website Address

www.chinahaisheng.com

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Agriculture Bank of China
The Export-Import Bank of China



HIGHLIGHTS

- For the six months ended 30 June 2020, the Group's unaudited turnover decreased from approximately RMB503.4 million to approximately RMB425.1 million, representing a decrease of approximately 15.6% over the same period of last year.
- For the six months ended 30 June 2020, the Group's unaudited loss attributable to owners of the Company increased from approximately RMB79.9 million to approximately RMB85.8 million, representing an increase of approximately 7.4% over the same period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).



Financial review

The Board announces that, for the six months ended 30 June 2020, the Group recorded an unaudited turnover of approximately RMB425.1 million, representing a decrease of approximately 15.6% over the same period of last year. Gross profit margin for the six months ended 30 June 2020 was approximately 21.4%, as compared with 27.8% for the same period of last year. The Group's unaudited loss attributable to owners of the Company increased from approximately RMB79.9 million to approximately RMB85.8 million, representing an increase of approximately 7.4% over the same period of last year.

For the period under review, turnover decreased by approximately 15.6% to approximately RMB425.1 million. Such decrease was mainly attributable to the fact that the demand for juice in domestic and foreign markets has decreased because of the adverse effect of COVID-19. Meanwhile, the agricultural income has increased slightly.

For the period under review, the gross profit margin of the Group decreased from approximately 27.8% to approximately 21.4% which was mainly attributable to slower commodity circulation during the epidemic. But the prolonged storage period of fresh fruits affected their selling prices. Therefore, the gross profit margin of fresh fruits decreased compared to the same period last year. Compared with the same period of last year, the gross profit margin for juice increased slightly due to the price fluctuations in raw material.

Other income decreased by approximately 13.4% to approximately RMB96.5 million. Such decrease was mainly attributable to the decrease in government subsidies recognized during the period under review.

Distribution costs decreased by approximately 22.4% to approximately RMB100.8 million during the period under review. Such decrease was mainly attributable to (i) the reduction or exemption of employees' social security that companies should pay during the epidemic, and (ii) the increase in distribution channels in wholesale markets and the decrease in promotional expense for the sale of apples and other fruits.



Administrative expenses decreased by approximately 10.2% to approximately RMB113.5 million during the period under review. The decrease in administrative expenses was mainly attributable to that the government reduced or exempted tax and employees' social security that companies should pay during the epidemic.

Finance costs of the Group amounted to approximately RMB78.2 million in the period under review, representing an increase of approximately 6.3% over the same period of last year. The increase is attributable to the increase in the Group's bank loans during the period.

As a result of the foregoing, the Group's unaudited loss attributable to owners of the Company increase from approximately RMB79.9 million to approximately RMB85.8 million, representing an increase of approximately 7.4% over the same period of last year.

Liquidity, financial resources, capital structure and gearing

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 30 June 2020, the Group's bank and other borrowings, bills payable and lease liabilities amounted to approximately RMB5,727.8 million (as at 31 December 2019: RMB4,960.0 million), among which, approximately RMB2,420.5 million were secured by way of charge on the Group's assets. Approximately RMB1,946.0 million of the sum were due within one year and approximately RMB3,781.8 million of the sum were due within two to five years. The whole sum were denominated in RMB.

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Bank loans	3,410,763	2,473,748
Other borrowings	969,875	968,128
Loan from government	234,570	159,550
Bills payable	87,899	186,000
Lease liabilities	1,024,712	1,172,618
	5,727,819	4,960,044



Management Discussion and Analysis

Among the bank loans, other borrowings and loan from government, approximately RMB2,504.7 million of the sum were fixed-rate borrowings while approximately RMB2,110.5 million were variable-rate borrowings. The interest rate for the variable-rate borrowings is based on London Interbank Offered Rate/The People's Bank of China Base Lending Rate plus a margin for both years.

As at 30 June 2020, the cash and bank balances including pledged bank deposits amounted to approximately RMB452.2 million (as at 31 December 2019: RMB315.3 million).

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank loans, loan from government, bills payable, other borrowings and lease liabilities less pledged bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. At 30 June 2020, the gearing ratio was 250.2%.

Significant investments held and material acquisition and disposals

- (a) On 16 January 2020, 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 (“Agreement I”) with 古浪縣扶貧產業開發有限公司 (Gulang County Poverty Alleviation Industrial Development Company Limited*) (“Gulang Poverty Alleviation”), an independent third party at the time of the Agreement I, pursuant to which Shaanxi Chaoyue and Gulang Poverty Alleviation have agreed to establish a joint venture company in the PRC (“JV Company I”) with a registered capital of RMB40 million and each of Shaanxi Chaoyue and Gulang Poverty Alleviation has agreed to contribute to the registered capital of the JV Company I at RMB32 million and RMB8 million, respectively. Shaanxi Chaoyue and Gulang Poverty Alleviation will own 80% and 20% of the equity interests of the JV Company I, respectively, after the capital contributions.

* For identification purpose only



- (b) On 17 March 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (“Agreement II”) with 寧縣聚農蘋果產業資金專業合作社 (Ningxian Junong Apple Industry Fund Professional Cooperative*) (“Ningxian Junong”), 寧縣金農農業扶貧開發有限公司 (Ningxian Jinnong Agriculture Poverty Alleviation and Development Co., Ltd.*) (“Ningxian Jinnong”) and 寧縣果業局 (the Fruit Industry Bureau of Ning County*) (“Fruit Industry Bureau”) (save for Ningxian Junong being a substantial shareholder of an indirectly non-wholly owned subsidiary of the Company, Ningxian Jinnong and the Fruit Industry Bureau were independent third parties at the time of the Agreement II), pursuant to which Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and the Fruit Industry Bureau have agreed to establish a joint venture company in the PRC (“JV Company II”) with a registered capital of RMB50 million and each of Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and the Fruit Industry Bureau has agreed to contribute RMB39 million, RMB2 million, RMB3 million and RMB6 million, respectively, to the registered capital of the JV Company II. Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and the Fruit Industry Bureau will own 78%, 4%, 6% and 12% of the equity interests of the JV Company II, respectively, after the capital contributions.
- (c) On 16 April 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (“Agreement III”) with 綏江縣中春農業綜合開發有限公司 (Suijiang County Zhongchun Agriculture Development Company Limited*) (“Zhongchun Agriculture”), an independent third party at the time of the Agreement III, pursuant to which Shaanxi Chaoyue and Zhongchun Agriculture have agreed to establish a joint venture company in the PRC (“JV Company III”) with a registered capital of RMB30 million and each of Shaanxi Chaoyue and Zhongchun Agriculture has agreed to contribute to the registered capital of the JV Company III at RMB21 million and RMB9 million, respectively. Shaanxi Chaoyue and Zhongchun Agriculture will own 70% and 30% of the equity interests of the JV Company III, respectively, after the capital contributions.

* For identification purpose only



- (d) On 7 May 2020, 威寧超越農業有限公司 (Weining Chaoyue Agriculture Company Limited*) (“Weining Chaoyue”), a non-wholly owned subsidiary of the Group, entered into a joint venture agreement (“Agreement IV”) 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”), a non-controlling shareholder of an indirectly non-wholly owned subsidiary of the Company, pursuant to which Weining Chaoyue and Zhaoyang Agriculture have agreed to establish a joint venture company in the PRC (“JV Company IV”) with a registered capital of RMB50 million and each of Weining Chaoyue and Zhaoyang Agriculture has agreed to contribute to the registered capital of the JV Company IV at RMB15 million and RMB35 million, respectively. Weining Chaoyue and Zhaoyang Agriculture will own 30% and 70% of the equity interests of the JV Company IV, respectively, after the capital contributions.

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 as of 30 June 2020.

Events after the Reporting Period

On 3 July 2020, Shaanxi Chaoyue, 武威市涼州區金希望農業發展有限公司 (Wuwei Liangzhou Golden Hope Agriculture Development Company Limited*) (previously known as 武威涼州農業產業扶貧開發有限責任公司) (“Wuwei Agriculture”) and 武威海越現代農業有限公司 (Wuwei Haiyue Modern Agriculture Company Limited*) (“Wuwei Haiyue”) entered into a capital increase agreement (the “Capital Increase Agreement”) pursuant to which Wuwei Agriculture has agreed to make a capital contribution to the registered capital of the Wuwei Haiyue so as to increase the registered capital of the Wuwei Haiyue from RMB213.0 million to RMB236.7 million.

Upon completion of the capital increase, each of Shaanxi Chaoyue and Wuwei Agriculture will hold approximately 90% and 10% equity interests in Wuwei Haiyue, respectively.

* For identification purpose only



Capital commitments

As at 30 June 2020, the Group has approximately RMB409.2 million capital commitments (as at 31 December 2019: RMB484.8 million).

Exposure to fluctuations in exchange rates

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

Pledge of assets

As at 30 June 2020, the Group pledged property, plant and equipment, bearer plants, prepaid lease payments, pledged bank deposits, inventories and value added tax recoverable for security of the Group's borrowings and obligation under finance lease with carrying account of approximately RMB2,442.0 million (as at 31 December 2019: RMB2,634.5 million).

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020.

Future plans for material investments and capital assets

At 30 June 2020, the Group did not have other plans for material investments or capital assets.



Business review

Fruit drink processing

In the first half of 2020, the novel coronavirus (“COVID-19”) pandemic had a huge impact on the global economy. Although our government formulated a series of measures which rapidly and effectively brought the pandemic under control, the adverse effects on various industries due to the suspension of work and production of many businesses during the initial period of the outbreak are difficult to eliminate in the short term.

Under the impact of the COVID-19 pandemic, the Group suspended production and operation for over a month with revenue from sales of juice concentrates decreased as compared with the same period of last year. In face of the pandemic, the management promptly formulated proactive response measures to ensure that the Group is able to go through such difficult times. Firstly, the Group adjusted its market structure amid an unstable international environment to mitigate the impacts of the pandemic and China-US trade tension. Meanwhile, it increased the gross profit of fruit juice processing through stringent cost control and improvement of product mix. Moreover, the Group strengthened management and control of expenses, and reduced administrative expenses.

During the reporting period, regarding end-user drinks, the Group reviewed market opportunities and adjusted brand strategy for end-user drinks. While optimizing and upgrading the “Eden View” juice drinks, the Group launched the “Pure Twig” and “Language of Fruit” drink series to satisfy different consumer groups and increase product penetration. Furthermore, the Group extended beyond traditional retail channels through cross-industry cooperation and promoting the positive image and value of its brands through multiple platforms in an effort to steadily expand end-user market.



Modernised agriculture

In recent years, the Group has expanded its agricultural business, and established a whole industrial chain structure including varieties selection, seedling breeding and building modern planting demonstration garden as well as operations of later stages such as sorting, packing and sales. The Group expanded the scale and distribution of its modernised planting bases in line with its strategic goals and unceasingly enhanced planting management standard and operation efficiency. As time goes by, the scale of the Group's agricultural assets increased and its biological assets have gradually matured with increasing productivity and sales performance. As a result, the Group's competitiveness in the fresh fruit market has gradually emerged.

The coronavirus pandemic led to the suspension of offline stores of most shopping malls and supermarkets during February and March 2020 in China. The Group's sales of fresh fruits were also affected. Nevertheless, the Group accelerated sales and expanded sales channels after resumption of work and production, and achieved remarkable results. During the reporting period, total revenue from sales of fresh fruit products increased 45% as compared with the same period of last year, of which revenue from sales of cherry tomatoes and apples increased over 82% and 62% respectively as compared with the same period of last year and revenue from sales of blue cherries was over 50 times of the same period of last year. During the reporting period, the Group focused on constructing the intelligent glass greenhouse projects in Jiangsu Province and Gansu Province. It is expected that 450,000 square metres of production area will be added to the glass greenhouse of the Group in this year, underpinning a good foundation for the future revenue growth.

In planting management, the Group tried for the first time to use drone remote sensing technology to carry out scientific, digital and refined management of the bases, which together with data analysis, enabled management plans to be adjusted and optimised timely, with expenses controlled reasonably, unit cost decreased and profitability increased. During the reporting period, the Group widely explored resources of foreign new varieties, and proactively selected premium varieties and registered 13 new cherry trademarks, 4 apple trademarks and 1 apple seedling trademark. The introduction of new varieties and registration of trademarks will provide quality and rare fresh fruit products to the domestic high-end fresh fruit market and enhance the competitiveness and brand influence of the Group's fresh fruit products.



Management Discussion and Analysis

Regarding the expansion of sales channels, the Group actively promoted its star products “Pure Twig” and “Eden View” through online media, raising their market shares and brand recognition further, which also provided an effective support for the increase of product sales.

Prospect

According to the data published by National Bureau of Statistics, the spreading of the pandemic in China has been basically curbed and good progress is made in resumption of work and production. The impact of the pandemic on the economy of China is temporary and the long-term positive trend of its economy remained unchanged.

In the future, for fruit juice processing business, the Group will match changes of the market, increase investment in research and development, and keep on launching products that meet the market demand. Meanwhile, in line with its strategic goals the Group will promote the implementation of modernised agricultural projects, and constantly optimise products and management techniques to provide effective support for rapid development in agricultural business. As always, we firmly believe that with time and hard work, we will eventually reap fruitful results.



Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended at 30 June 2020.

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

As at 30 June 2020, 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:



Other Information

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%
			<u>472,385,898 Shares</u>	<u>36.63%</u>

Notes:

1. As at 30 June 2020, the 459,061,238 Shares were held by Think Honour International Limited (“Think Honour”), the entire issued share capital of which was held by Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.
2. As at 30 June 2020, 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 30 June 2020 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.



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

As at 30 June 2020, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding (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%



Other Information

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 30 June 2020 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 30 June 2020, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance Practices

During the six months ended 30 June 2020, The Company has complied, saved for the deviations discussed below, with the principles and provisions as set out in the code provisions contained in the Corporate Governance Code (which is set out in the Appendix 14 of the Listing Rules) by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the period under review.



Code Provision A.2.1 providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the “First Deviation”). At present, the Company does not have a competent candidate for the position of chief executive officer. Mr. Gao Liang, therefore, acts as the chairman and chief executive officer of the Company. Code Provision A.6.7 (the “Second Deviation”) providing for the independent non-executive directors (“INED(s)”) of the Company, 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 Ms. Huang Liqiong (chairman of audit committee), were absent from the last annual general meeting of the Company held on 22 June 2020 due to their other important engagements at the relevant time.

Compliance of the Model Code for Securities

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

Directors’ Interests in a Competing Business

None of the Directors or their respective associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules.



Staff and Remuneration Policies

As at 30 June 2020, the Group had 2,830 (as at 31 December 2019: 3,199) 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.

Review of Results by Audit Committee

The unaudited interim results for the six months ended 30 June 2020 was reviewed by the audit committee of the Company.

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

Xi'an, the People's Republic of China, 28 August, 2020



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	NOTES	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	425,055	503,412
Cost of sales		(334,203)	(363,684)
Gross profit		90,852	139,728
Other income		96,516	111,461
Other gains and losses		3,104	5,357
Impairment losses for trade receivables		(1,815)	–
Change in fair value due to biological transformation		43,056	–
Distribution and selling expenses		(100,817)	(129,866)
Administrative expenses		(113,537)	(126,364)
Other operating expenses		(23,751)	(2,945)
Finance costs		(78,217)	(73,595)
Share of results of an associate		(11)	(226)
Loss before taxation		(84,620)	(76,452)
Taxation	6	(3,938)	(4,187)
Loss for the period	7	(88,558)	(80,639)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(158)	(94)
Other comprehensive expense for the period		(158)	(94)
Total comprehensive expense for the period		(88,716)	(80,733)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

		(Unaudited)	
		Six months ended 30 June	
		2020	2019
	NOTES	<i>RMB'000</i>	<i>RMB'000</i>
<hr/>			
Loss for the period attributable to:			
Owners of the Company		(85,797)	(79,922)
Non-controlling interests		(2,761)	(717)
		<hr/>	<hr/>
		(88,558)	(80,639)
<hr/>			
Total comprehensive expense attributable to:			
Owners of the Company		(85,955)	(80,016)
Non-controlling interests		(2,761)	(717)
		<hr/>	<hr/>
		(88,716)	(80,733)
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Dividends	8	–	–
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Loss per share (RMB cents)			
Basic and diluted	9	(6.65) cents	(6.20) cents
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Condensed Consolidated Statement of Financial Position

At 30 June 2020

		30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	10	4,043,795	3,655,665
Right-of-use assets		1,896,786	1,843,999
Bearer plants	11	1,952,976	1,504,886
Investment in an associate		7,442	7,453
Biological assets		68,426	69,336
Prepayments for acquisition of bearer plants		23,372	30,156
Deposits for acquisition of property, plant and equipment		119,747	30,598
Total non-current assets		8,112,544	7,142,093
CURRENT ASSETS			
Biological assets		42,340	40,679
Inventories	12	658,737	780,393
Trade and other receivables	13	485,926	408,349
Amounts due from related companies		164	164
Pledged bank deposits		55,809	144,320
Bank balances and cash		396,400	170,972
Total current assets		1,639,376	1,544,877
CURRENT LIABILITIES			
Trade and other payables	14	1,653,630	1,469,646
Bills payables		87,899	186,000
Current tax liabilities		1,000	1,221
Dividend payable to non-controlling shareholders of a subsidiary		63	63
Bank and other borrowings		1,715,175	1,422,631
Lease liabilities		142,927	185,866
Deferred government grants		3,574	15,134
Total current liabilities		3,604,268	3,280,561



Condensed Consolidated Statement of Financial Position

At 30 June 2020

	30 June 2020 (Unaudited) <i>RMB'000</i>	31 December 2019 (Audited) <i>RMB'000</i>
NOTES		
Net current liabilities	(1,964,892)	(1,735,684)
Total assets less current liabilities	6,147,652	5,406,409
NON-CURRENT LIABILITIES		
Bank and other borrowings	2,900,033	2,178,795
Lease liabilities	881,785	986,752
Deferred government grants	225,430	213,986
Deferred tax liabilities	31,536	31,536
Total non-current liabilities	4,038,784	3,411,069
NET ASSETS	2,108,868	1,995,340
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	13,296	13,296
Reserves	1,124,214	1,162,422
	1,137,510	1,175,718
Non-controlling interests	971,358	819,622
TOTAL EQUITY	2,108,868	1,995,340



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to Owners of the Company										
	Share capital	Share premium	Share option reserve	Special reserve	Translation reserve	Statutory surplus reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	13,296	212,838	-	258,722	(191)	220,098	(13,426)	548,927	1,240,264	580,447	1,820,711
Loss for the period (unaudited)	-	-	-	-	-	-	-	(79,922)	(79,922)	(717)	(80,639)
Exchange differences arising on translation of foreign operations (unaudited)	-	-	-	-	(94)	-	-	-	(94)	-	(94)
Total comprehensive income/ (expense) for the period (unaudited)	-	-	-	-	(94)	-	-	(79,922)	(80,016)	(717)	(80,733)
Contribution from minority shareholder of subsidiaries (unaudited)	-	-	-	-	-	-	-	-	-	100,688	100,688
Change in ownership interest in subsidiaries without loss of control (unaudited)	-	-	-	-	-	-	33,778	-	33,778	-	33,778
Appropriated from accumulated profits (unaudited)	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2019 (unaudited)	13,296	212,838	-	258,722	(285)	220,098	20,352	469,005	1,194,026	680,418	1,874,444



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to Owners of the Company										
	Share			Statutory					Non-		Total
	capital	premium	option	Special	Translation	surplus	Other	Retained	controlling	equity	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020 (audited)	13,296	212,838	-	258,722	(146)	245,960	(13,426)	458,474	1,175,718	819,622	1,995,340
Loss for the period (unaudited)	-	-	-	-	-	-	-	(85,797)	(85,797)	(2,761)	(88,558)
Exchange differences arising on translation of foreign operations (unaudited)	-	-	-	-	(158)	-	-	-	(158)	-	(158)
Total comprehensive income/ (expense) for the period (unaudited)	-	-	-	-	(158)	-	-	(85,797)	(85,955)	(2,761)	(88,716)
Contribution from minority shareholder of subsidiaries (unaudited)	-	-	-	-	-	-	47,747	-	47,747	154,497	202,244
Change in ownership interest in subsidiaries without loss of control (unaudited)	-	-	-	-	-	-	-	-	-	-	-
Appropriated from accumulated profits (unaudited)	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2020 (unaudited)	13,296	212,838	-	258,722	(304)	245,960	34,321	372,677	1,137,510	971,358	2,108,868



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from operating activities	208,436	187,943
Net cash used in investing activities		
Purchases of property, plant and equipment	(527,472)	(636,550)
Purchases of bearer plants	(443,135)	(108,313)
Payments for right-of-use assets	(135,557)	–
Decrease in pledged bank deposits	88,511	86,923
Other investing activities	5,776	4,008
	(1,011,877)	(653,932)
Net cash generated from financing activities		
New bank and other borrowings raised	1,279,784	1,627,018
Repayment of bank and other borrowings	(266,002)	(976,666)
Payments of lease liabilities	(79,261)	(216,540)
Capital contributions from non-controlling interests	202,244	134,466
Interest paid on bank and other borrowings	(108,030)	(85,536)
Other financing activities	–	50,495
	1,028,735	533,237
Increase in cash and cash equivalents	225,294	67,248
Effect of foreign exchange rate changes	134	–
Cash and cash equivalent at 1 January	170,972	309,033
Cash and cash equivalent at 30 June, representing bank balances and cash	396,400	376,281



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room B, 3/F., Eton Building, 288 Des Voeux Road Central, Hong Kong. The Company'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 while its subsidiaries are principally engaged in (i) the manufacture and sale of fruit juice concentrate and related products and (ii) plantation and sale of apples, apple saplings and other fruits.

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

2. PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Basis of preparation

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

b) Going concern

The Group incurred an unaudited net loss of approximately RMB85,797,000 during the period ended 30 June 2020 and, as of that date, the Group had unaudited net current liabilities of approximately RMB1,964,892,000. 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 these condensed consolidated interim financial statements. The Group meets its day-to-day working capital requirements through its bank facilities. Most of the bank borrowings as at 30 June 2020 that are repayable within the next 12 months are subject to renewal and the directors are confident that these borrowings can be renewed upon expiration based on the Group's past experience and credit history.

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

- i. negotiating with banks and other financial institutions in advance for renewal and obtaining new banking facilities;
- ii. the directors of the Company have been taking various cost control measures to tighten the costs of operations; and
- iii. the Group has been implementing various strategies to enhance the Group's revenue and profitability.

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2019, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning 1 January 2020. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

4. REVENUE

The following is analysis of the Group's revenue for the six months ended 30 June 2020:

	Revenue from external customers (Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of fruit juice concentrate and related products	205,672	300,750
Sale of apples, apple saplings and other fruits	219,383	202,662
	425,055	503,412

5. SEGMENT INFORMATION

The Group has two operating segments as follows:

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

Agriculture operation – Plantation and sale of apples, apple saplings and other fruits

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profits or losses do not include other income, share of loss of an associate, unallocated other gains and losses, administrative expenses, finance costs and income tax expense.

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



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

Information about operating segment profit or loss:

	Fruit juice operation (Unaudited)		Agriculture operation (Unaudited)		Total (Unaudited)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Segment revenue						
Revenue from external customers	205,672	300,750	219,383	202,662	425,055	503,412
Intersegment revenue	-	-	155	260	155	260
Reportable segment revenue	205,672	300,750	219,538	202,922	425,210	503,672
Less: intersegment revenue					(155)	(260)
Consolidated revenue					425,055	503,412
Segment results	(56,361)	(28,213)	(29,898)	(64,427)	(86,259)	(92,640)
Other income					96,516	111,461
Share of loss of an associate					(11)	(226)
Unallocated amounts:						
Other gains and losses					-	(12)
Administrative expenses					(16,649)	(21,440)
Finance costs					(78,217)	(73,595)
Consolidated loss before tax					(84,620)	(76,452)



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

Geographical information:

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

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

	Revenue from external customers		Non-current assets	
	(Unaudited)		(Unaudited)	(Audited)
	Six months ended 30 June		30 June	31 December
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
United States of America (the "USA")	35,124	40,720	1,535	1,547
Canada	1,436	2,817	–	–
PRC	306,416	345,935	8,111,009	7,140,546
South Africa	89	5,743	–	–
Saudi Arabia	8,561	8,716	–	–
Japan	49,385	59,100	–	–
Australia	587	11,068	–	–
Russia	8,551	14,223	–	–
Others	14,906	15,091	–	–
	425,055	503,412	8,112,544	7,142,093



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

Information about major products:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Apple juice	112,357	165,240
Other juice	93,315	135,510
Fresh fruits	204,480	141,496
Apple saplings	6,260	46,800
Others	8,643	14,366
	425,055	503,412

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.



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

6. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income tax ("EIT")	3,928	3,608
Other jurisdiction	10	579
	3,938	4,187
Deferred tax	–	–
	3,938	4,187

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, the PRC subsidiaries enjoy a preferential tax rate of 15% for 2018 and 2019. The PRC subsidiaries need to apply for the preferential tax rate every year. The PRC subsidiaries will need to apply for the preferential tax rate for 2020.



According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in fruit juice operation of the Group in the PRC are exempted from EIT on profits derived from preliminary processing of agriculture products for the years ended 31 December 2018 and 2019, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. The PRC subsidiaries will need to apply for the exemption of EIT for 2020.

According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in agriculture operation of the Group in the PRC are exempted from EIT on profits derived from fruits cultivation for the years ended 31 December 2018 and 2019, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. The PRC subsidiaries will need to apply for the exemption of EIT for 2020.

A subsidiary of the Company, Haisheng International Inc., is a limited liability company incorporated in the USA on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Directors' emoluments	1,193	1,248
Salaries, wages and other benefits	160,202	140,676
Retirement benefits scheme contributions	10,409	15,883
Share-based payment expenses	–	–
Total staff costs	171,804	157,807
Less: staff costs capitalised into inventories	(13,188)	(20,053)
Less: staff cost capitalised into cost of bearer plant	(32,739)	(33,750)
	125,877	104,004
Amortisation of right-of-use assets	20,829	8,414
Less: amount capitalised into cost of bearer plants/biological assets	(20,829)	(6,268)
	–	2,146
Depreciation of property, plant and equipment	67,674	62,932
Less: amount capitalised into cost of bearer plants/biological assets	(24,913)	(22,902)
	42,761	40,030
Operating lease charges for land and buildings	–	2,099
Depreciation of bearer plants	10,374	1,262
Cost of inventories sold	334,203	363,684
Loss on disposals of property, plant and equipment	6,518	1,170



8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the unaudited loss for the period attributable to owners of the Company of approximately RMB85,797,000 (2019: RMB79,922,000) and the weighted average number of ordinary shares of 1,289,788,000 (2019: 1,289,788,000) in issue during the period.

As there are no dilutive potential ordinary shares as at 30 June 2019 and 30 June 2020, the diluted loss per share is equal to the basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group incurred approximately RMB465,641,000 on acquisition of property, plant and equipment.

11. BEARER PLANTS

During the period under review, the Group incurred approximately RMB525,253,000 on acquisition of bearer plants.

12. INVENTORIES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (audited)
Raw materials and consumables	190,038	255,398
Work in progress	158,186	106,923
Finished goods	310,513	418,072
	658,737	780,393



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

13. TRADE AND OTHER RECEIVABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (audited)
Trade receivables	207,384	178,310
Less: allowance for doubtful debts	(5,095)	(3,280)
	202,289	175,030
Bills receivable	910	1,084
Value added tax recoverable and other tax recoverable	36,342	42,690
Receivable from disposal of saplings	–	–
Advances to suppliers	17,366	22,150
Other receivables, deposits and prepayments	229,019	167,395
	485,926	408,349

Note: As at 30 June 2020, value added tax recoverable and deposit and other receivables of approximately RMBNil (31 December 2019: RMBNil) and RMB11,392,000 (31 December 2019: RMB12,452,000) were pledged as securities for lease liabilities and bank and other borrowings respectively.

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



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
0 to 90 days	163,034	145,246
91-180 days	19,087	18,528
181 to 365 days	11,771	7,578
Over 1 year	8,397	3,678
	202,289	175,030

14. TRADE AND OTHER PAYABLES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	675,608	708,368
Payable for acquisition of property, plant and equipment	287,037	295,072
Contract liabilities	134,577	81,889
Accrued salaries	72,698	70,945
Accrued interest	28,406	13,158
Value added tax and other tax payables	4,755	11,399
Other payables and accruals	450,549	288,815
	1,653,630	1,469,646
Less: other liabilities – non-current portion	–	–
	1,653,630	1,469,646



Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended 30 June 2020

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 to 90 days	226,723	361,690
91-180 days	96,256	160,162
181 to 365 days	222,455	65,007
Over 1 year	130,174	121,509
	675,608	708,368

15. CAPITAL COMMITMENTS

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

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Property, plant and equipment	290,955	412,882
Bearer plants	88,839	42,543
Capital contribution to an associate	29,400	29,400
	409,194	484,825

