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

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 0359)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

- For the year ended 31 December 2018, the Group's audited revenue increased from approximately RMB1,382.7 million to approximately RMB1,752.8 million, representing an increase of approximately 26.8% over the previous financial year.
- For the year ended 31 December 2018, the Group's audited profit attributable to owners of the Company decreased from approximately RMB145.1 million to approximately RMB79.7 million, representing a decrease of approximately 45.1% over the previous financial year.
- For the year ended 31 December 2018, basic and diluted earnings per share amounted to approximately RMB6.18 cents and approximately RMB6.18 cents, respectively, as compared with the basic and diluted earnings per share of RMB11.37 cents and RMB11.35 cents, respectively, for the year ended 31 December 2017.
- The Board does not recommend payment of a final dividend for the year ended 31 December 2018 (2017: Nil).

The board (the "**Board**") of directors (the "**Directors**") of China Haisheng Juice Holdings Co., Ltd. (the "**Company**") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 with the comparative figures for the corresponding period in 2017, as follows:

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	*4*	**1,752,807**	1,382,676
Cost of sales		**(1,500,567)**	(1,090,905)
Gross profit		**252,240**	291,771
Other income	*5*	**239,727**	310,040
Other gains and losses	*6*	**60,070**	105,779
Impairment losses for trade receivables		**(4,312)**	-
Change in fair value due to biological transformation		**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	*7*	**(139,078)**	(108,298)
Share of loss of an associate		**(1,638)**	(8,678)
Profit before tax		**93,512**	188,639
Income tax expense	*8*	**(15,726)**	(12,479)
Profit for the year	*9*	**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 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	*11*		
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**	2017
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**3,101,839**	2,394,742
Prepaid land lease payments		**154,215**	122,631
Bearer plants		**1,130,881**	933,491
Investment in an associate		**7,749**	9,387
Biological assets		**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		**18,567**	18,564
Biological assets		**31,842**	32,611
Inventories		**748,092**	1,110,670
Trade and other receivables	*12*	**432,444**	398,973
Due from related companies		**164**	164
Pledged bank deposits		**348,629**	120,168
Bank and cash balances		**309,033**	167,560
Total current assets		**1,888,771**	1,848,710
CURRENT LIABILITIES			
Trade and other payables	*13*	**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		**1,338,424**	1,438,768
Finance lease payables		**171,449**	116,571
Deferred government grants		**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

	Note	2018	2017
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Other liabilities	*13*	**47,995**	20,462
Bills payables		**25,598**	–
Bank and other borrowings		**1,170,861**	719,245
Finance lease payables		**179,423**	188,390
Deferred government grants		**143,472**	125,621
Deferred tax liabilities		**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		**13,296**	13,296
Reserves		**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

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL

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 in the 2018 Annual Report.

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 this results announcement.

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 to the consolidated financial statements in the 2018 Annual Report.

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.

(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 note 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

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 on 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.

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**	**Hypothetical amounts under IAS 18**	**Estimated impact of adoption of IFRS 15**
As at 31 December 2018		*RMB'000*	*RMB'000*	*RMB'000*
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.

(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.

As disclosed in note 38 to the consolidated financial statements in the 2018 Annual Report, 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. REVENUE

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

	2018	2017
	RMB'000	*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

5. OTHER INCOME

	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**2,879**	1,504
PRC government grants (note)	**225,739**	232,545
Amortisation of deferred government grants	**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.

6. OTHER GAINS AND LOSSES

	2018	2017
	RMB'000	*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.

7. FINANCE COSTS

	2018	2017
	RMB'000	*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

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*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	**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., is a limited liability company incorporated in the United States of America ("USA") on 21 January 2005 and is subject to corporate and federal tax at progressive rates from 15% to 35%.

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

9. 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

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.

10. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

11. 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.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*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 to the consolidated financial statements in the 2018 Annual Report.

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	2017
	RMB'000	*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

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 in the 2018 Annual Report.

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

	2018	2017
	RMB'000	*RMB'000*
United States dollars ("USD")	**65,815**	159,971
RMB	**159,522**	56,274
Total	**225,337**	216,245

13. TRADE AND OTHER PAYABLES

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

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	1 January 2018	31 December 2017
	RMB'000	*RMB'000*	*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**

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the financial year ended 31 December 2018, 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 USD, Euro and RMB respectively.

	2018	2017
	RMB'000	*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**"), 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 ("**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**") 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**"), 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 ("**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**") 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 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 Agriculture**"), an independent third party at the time of the Agreement IV, pursuant to which Chongxin Haiyue and Chongxin Agriculture have agreed to establish 崇信汭越縣越農業有限責任公司 ("**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.

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	2017
	RMB'000	*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 borrowings and finance lease payables:

	2018	2017
	RMB'000	*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 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 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 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 segement 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 research and development 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.

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.

Prospects

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.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**Annual General Meeting**") will be held on Tuesday, 28 May 2019. The notice of the Annual General Meeting will be published on the Company's website and the Stock Exchange's website and sent to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both dates inclusive). In order to determine the identity of the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 21 May 2019.

DIVIDENDS

The Board does not recommend any payment of final dividend for the year ended 31 December 2018.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The sections below set out an extract of the report by RSM Hong Kong, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2018:

Opinion

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.

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.

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 V**") with 平涼市崆峒惠農投資發展有限責任公司 ("**Kongtong Huinong**"), an independent third party at the time of the Agreement V, pursuant to which Shaanxi Chaoyue and Kongtong 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 Kongtong 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 Kongtong 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 VI**" and "**Agreement VII**") 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 VI and Agreement VII.

    Pursuant to Agreement VI, Shaanxi Chaoyue and Wuwei Agriculture have agreed to establish 武威海越現代農業有限公司 ("**Wuwei Haiyue**") 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 Wuwei Haiyue at RMB10,000,000 and RMB23,670,000, respectively. Upon the completion of the capital contributions, Wuwei Haiyue will be owned as to 90% and 10% by Shaanxi Chaoyue and Wuwei Agriculture respectively.

    Pursuant to Agreement VII, Shaanxi Chaoyue and Wuwei Agriculture have agreed to establish 武威超越現代農業有限公司 ("**Wuwei Chaoyue**") 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 Wuwei Chaoyue at RMB20,000,000 and RMB78,890,000, respectively. Upon the completion of the capital contributions, Wuwei Chaoyue 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 VIII**") 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 VIII, pursuant to which Shaanxi Chaoyue and Ludian Agriculture have agreed to establish 魯甸超越農業有限公司 ("**Ludian Chaoyue**") 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 Ludian Chaoyue at

RMB35,000,000 and RMB15,000,000, respectively. Ludian Agriculture also agreed to contribute additional paid-in capital of RMB30,000,000 to Ludian Chaoyue. Upon the completion of the capital contributions, Ludian Chaoyue will be owned as to 70% and 30% by Shaanxi Chaoyue and Ludian Agriculture respectively.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2018, 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 (the "**CG 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.

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. Code Provision A.6.7 (the "**Second Deviation**") providing for the independent non-executive Directors 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 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 independent non-executive Directors, namely Mr. Zhao Boxiang (chairman of remuneration committee), Mr. Liu Zhongli and Mr. Chang Xiaobo (chairman of audit committee) (appointed on 23 May 2018), were absent from both the last annual general meeting and the extraordinary general meeting of the Company held on 28 May 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.

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 31 December 2018, the Group had 3,456 employees (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.

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.

COMPLIANCE OF THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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 reporting period.

AUDIT COMMITTEE

The Company's audit committee comprised of three independent non-executive Directors, namely Mr. Chang Xiaobo (Chairman), Mr. Zhao Boxiang and Mr. Liu Zhongli, with written terms of reference in compliance with the CG Code.

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 throughout the year ended 31 December 2018.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The electronic version of this announcement will be published on the website of the Stock Exchange at http://www.hkex.com.hk and on the website of the Company at http://www.chinahaisheng.com. An annual report for the year ended 31 December 2018 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Xi'an, the People's Republic of China, 28 March 2019

As at the date of this announcement, the executive directors are Mr. Gao Liang, Mr. Zhao Chongjun, Mr. Ding Li and Mr. Wang Linsong; the independent non-executive directors are Mr. Zhao Boxiang, Mr. Liu Zhongli and Mr. Chang Xiaobo.