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 2020

HIGHLIGHTS

- For the year ended 31 December 2020, the Group's audited revenue decreased from approximately RMB1,231.6 million to approximately RMB1,195.1 million, representing a decrease of approximately 3.0% over the previous financial year.

- For the year ended 31 December 2020, the Group's audited loss attributable to owners of the Company increased from approximately RMB64.6 million to approximately RMB156.8 million, representing an increase of approximately 142.7% over the previous financial year.

- For the year ended 31 December 2020, basic and diluted loss per share amounted to approximately RMB12.16 cents and RMB12.16 cents, respectively, as compared with the basic and diluted loss per share of approximately RMB5.01 cents and RMB5.01 cents, respectively, for the year ended 31 December 2019.

- The board (the "**Board**") of directors (the "**Directors**") does not recommend payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

The Board 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 2020 with the comparative figures for the corresponding period in 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	**2020** *RMB'000*	2019 *RMB'000*
Revenue	*4*	**1,195,126**	1,231,571
Cost of sales		**(1,143,270)**	(1,157,048)
Gross profit		**51,856**	74,523
Other income	*5*	**217,072**	298,916
Other gains and losses	*6*	**(8,819)**	(10,621)
Impairment losses for trade receivables		**(7,401)**	(3,071)
Impairment losses for property, plant and equipment		**(25,597)**	–
Impairment losses for right-of-use assets		**(12,610)**	–
Change in fair value due to biological transformation		**392,785**	335,745
Distribution and selling expenses		**(225,366)**	(285,796)
Administrative expenses		**(272,258)**	(259,621)
Other expenses		**(20,736)**	(8,024)
Profit from operations		**88,926**	142,051
Finance costs	*7*	**(181,523)**	(155,211)
Share of losses of associates		**(7,063)**	(296)
Share of loss of a joint venture		**(528)**	–
Loss before tax		**(100,188)**	(13,456)
Income tax expense	*8*	**(7,331)**	(9,455)
Loss for the year	*9*	**(107,519)**	(22,911)
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**181**	45
Other comprehensive income for the year, net of tax		**181**	45
Total comprehensive income for the year		**(107,338)**	(22,866)

	Note	2020 RMB'000	2019 RMB'000
Loss for the year attributable to:			
Owners of the Company		**(156,825)**	(64,591)
Non-controlling interests		**49,306**	41,680
		(107,519)	(22,911)
Total comprehensive income for the year attributable to:			
Owners of the Company		**(156,644)**	(64,546)
Non-controlling interests		**49,306**	41,680
		(107,338)	(22,866)
Loss per share	*11*		
Basic (Renminbi cents per share)		**(12.16)**	(5.01)
Diluted (Renminbi cents per share)		**(12.16)**	(5.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,692,137**	3,655,665
Right-of-use assets		**1,997,575**	1,843,999
Bearer plants		**2,053,820**	1,504,886
Investments in associates		**15,879**	7,453
Investment in a joint venture		**500**	–
Biological assets		**85,686**	69,336
Prepayments for acquisition of bearer plants		**37,780**	30,156
Deposits for acquisition of property, plant and equipment		**225,482**	30,598
Total non-current assets		**9,108,859**	7,142,093
CURRENT ASSETS			
Biological assets		**42,592**	40,679
Inventories		**730,133**	780,393
Trade and other receivables	*12*	**530,210**	408,349
Due from related companies		**164**	164
Restricted bank deposits		**60,085**	144,320
Cash and cash equivalents		**226,262**	170,972
Total current assets		**1,589,446**	1,544,877
CURRENT LIABILITIES			
Trade and other payables	*13*	**1,860,272**	1,469,646
Bills payables		**79,675**	186,000
Current tax liabilities		**780**	1,221
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings		**1,956,578**	1,422,631
Lease liabilities		**113,781**	185,866
Deferred government grants		**14,311**	15,134
Total current liabilities		**4,025,460**	3,280,561
Net current liabilities		**(2,436,014)**	(1,735,684)
Total assets less current liabilities		**6,672,845**	5,406,409

	Note	2020	2019
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Bank and other borrowings		**3,015,063**	2,178,795
Lease liabilities		**1,217,211**	986,752
Deferred government grants		**215,045**	213,986
Deferred tax liabilities		**34,129**	31,536
Total non-current liabilities		**4,481,448**	3,411,069
NET ASSETS		**2,191,397**	1,995,340
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**13,296**	13,296
Reserves		**1,004,709**	1,162,422
		1,018,005	1,175,718
Non-controlling interests		**1,173,392**	819,622
TOTAL EQUITY		**2,191,397**	1,995,340

NOTES

FOR THE YEAR ENDED 31 DECEMBER 2020

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 (i) manufacture and sales of fruit juice concentrate and related products; and (ii) plantation and sales of apple saplings, apples and other fruits.

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 (the "**Listing Rules**") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group incurred a net loss of approximately RMB107,519,000 during the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately RMB2,436,014,000. These conditions indicate 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 2020 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.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. The application of the amendments had no impact on the consolidated financial statements.

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

The Group has not applied any new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2020. These new and revised IFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to IAS 37 Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual Improvements to IFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to IAS 1 Classification of liabilities as current or non-current	1 January 2023

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. REVENUE

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

	2020 *RMB'000*	2019 *RMB'000*
Sales of fruit juice concentrate and related products	**537,088**	750,913
Sales of apples and other fruits	**553,711**	396,184
Sales of apple saplings	**104,327**	84,474
	1,195,126	1,231,571

5. OTHER INCOME

	2020 *RMB'000*	2019 *RMB'000*
Interest income on bank deposits	**3,099**	1,214
PRC government grants *(note)*	**186,265**	276,116
Amortisation of deferred government grants	**22,198**	14,039
Others	**5,510**	7,547
	217,072	298,916

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

	2020 *RMB'000*	2019 *RMB'000*
Gain on disposals of saplings other than apple saplings	**8,035**	4,036
(Loss)/gain on disposals of consumables	**(2,501)**	5,475
Net foreign exchange losses	**(10,752)**	(2,880)
Loss on disposals of property, plant and equipment	**(7,549)**	(3,139)
Other gain/(loss)	**3,948**	(14,113)
	(8,819)	(10,621)

7. FINANCE COSTS

	2020	2019
	RMB'000	*RMB'000*
Interest expense on lease liabilities	**178,942**	156,604
Interest on bank and other borrowings	**246,997**	188,837
Total borrowing costs	**425,939**	345,441
Amount capitalised	**(244,416)**	(190,230)
	181,523	155,211

8. INCOME TAX EXPENSE

	2020	2019
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("**EIT**")	**1,987**	2,310
Other jurisdiction	**134**	303
Withholding tax	**25**	18
Underprovision in prior years	**2,592**	2,093
	4,738	4,724
Deferred tax	**2,593**	4,731
	7,331	9,455

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 2019 and 2020. 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 2019 and 2020, 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 2019 and 2020, subject to an annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations.

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

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

	2020	2019
	RMB'000	*RMB'000*
Loss before tax	**(100,188)**	(13,456)
Tax at the PRC EIT rate of 25% (2019: 25%)	**(25,047)**	(3,364)
Tax effect of income that is not taxable	**(3,839)**	(20,993)
Tax effect of expenses that are not deductible	**100,653**	71,013
Tax effect of tax losses not recognised	**93,099**	88,973
Tax effect of share of losses of associates	**1,766**	74
Tax effect of share of loss of a joint venture	**132**	–
Tax effect of utilisation of tax losses not previously recognised	**(12,576)**	(11,076)
Tax exemption and tax concession	**(152,354)**	(125,045)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**287**	3,031
Underprovision in prior years	**2,592**	2,093
Withholding tax	**2,618**	4,749
Income tax expense	**7,331**	9,455

9. LOSS FOR THE YEAR

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

	2020	2019
	RMB'000	*RMB'000*
Auditors' remuneration	**2,400**	2,400
Depreciation of property, plant and equipment	**107,071**	92,925
Less: amount capitalised into cost of bearer plants/biological assets/inventories	**(43,626)**	(47,196)
	63,445	45,729
Depreciation of right-of-use assets	**100,119**	72,805
Less: amount capitalised into cost of bearer plant/biological assets/inventories	**(61,677)**	(36,604)
	38,442	36,201
Depreciation of bearer plants	**14,964**	4,054
Impairment losses for other receivables (included in other gain/(loss))	**1,798**	14,468
Allowance/(reversal of allowance) for inventories (included in cost of sales)	**14,375**	(11,486)
Write off of bearer plants (included in other expenses)	**7,654**	71
Write off of biological assets	**13,140**	14,583
Write off of inventories (included in other expenses)	**7,887**	346
Cost of inventories sold	**1,143,270**	1,157,048
Loss on disposals of property, plant and equipment	**7,549**	3,139
Write off of property, plant and equipment (included in other expenses)	**1,174**	668

There was a reversal of allowance for inventories of approximately RMB11,486,000 for the year ended 31 December 2019, being the result of persistent effort of the 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 2020 (2019: Nil).

11. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB156,825,000 (2019: RMB64,591,000) and the weighted average number of ordinary shares of 1,289,788,000 (2019: 1,289,788,000) in issue during the year.

Diluted loss per share

As the Company did not have any dilutive potential ordinary shares for the years ended 31 December 2019 and 2020, dilutive loss per share was the same as basic loss per share for both years.

12. TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**239,846**	178,310
Less: allowance for doubtful debts	**(9,976)**	(3,280)
	229,870	175,030
Bills receivables	**1,462**	1,084
Value added tax and other tax recoverable	**47,964**	42,690
Advances to suppliers	**71,282**	22,150
Other receivables, deposits and prepayments (note)	**179,632**	167,395
	530,210	408,349

Note: As at 31 December 2020, deposits and other receivables of approximately RMB1,800,000 (2019: RMB12,452,000) were pledged to a bank to secure bank borrowings.

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:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**202,031**	145,246
91 to 180 days	**10,822**	18,528
181 to 365 days	**9,632**	7,578
Over 1 year	**7,385**	3,678
	229,870	175,030

As at 31 December 2020, trade receivables of approximately RMBNil (2019: RMB18,170,000) were pledged to a bank to secure bank borrowings.

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

	2020	2019
	RMB'000	*RMB'000*
United States dollars ("USD")	**18,130**	38,607
RMB	**211,740**	136,423
Total	**229,870**	175,030

13. TRADE AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**644,250**	708,368
Payables for acquisition of property, plant and equipment	**450,773**	295,072
Contract liabilities	**124,486**	81,889
Accrued salaries	**89,057**	70,945
Accrued interest	**36,349**	13,158
Value added tax and other tax payables	**7,876**	11,399
Other payables and accruals *(note)*	**507,481**	288,815
	1,860,272	1,469,646

Note: Included in other payables and accruals are amounts of approximately:

(a) RMB51,271,000 (2019: RMBNil) representing amounts due to non-controlling shareholders of certain subsidaries that are unsecured, interest-free and repayable on demand.

(b) RMB228,845,000 (2019: RMB110,550,000) representing advance from independent third parties that are unsecured, interest-free and repayable on demand.

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:

	2020	2019
	RMB'000	*RMB'000*
0 to 90 days	**290,184**	361,690
91 to 180 days	**76,257**	160,162
181 to 365 days	**87,914**	65,007
Over 1 year	**189,895**	121,509
	644,250	708,368

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

	2020	2019
	RMB'000	*RMB'000*
USD	**11,165**	20,341
RMB	**633,085**	688,027
Total	**644,250**	708,368

The carrying amount of the Group's revenue related contract liabilities included in trade and other payables is as follows:

	2020	2019
	RMB'000	*RMB'000*
Billings in advance of performance obligation for sales of goods	**124,486**	81,889

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

Movements in contract liabilities:

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**81,889**	64,451
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	**(81,889)**	(64,451)
Increase in contract liabilities as a result of advances received from customers	**124,486**	81,889
Balance at 31 December	**124,486**	81,889

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the financial year ended 31 December 2020, the Group recorded a revenue of approximately RMB1,195.1 million, representing a decrease of approximately 3.0% over the previous year. Gross profit margin for the current year is 4.3% as against 6.1% in the previous financial year.

The decrease in revenue in 2020 was mainly attributable to the decrease in the export volume of juice concentrate caused by the impact of the trade frictions between China and the United States, and the decline in the price of juice concentrate-related products caused by the COVID-19 pandemic.

The decrease in gross profit margin in 2020 was mainly due to the impact of the COVID-19 pandemic on market sales prices of concentrated juice related products.

Other income decreased by 27.4% to approximately RMB217.1 million and the decrease was mainly due to the reduction of government grants.

Other gains and losses decreased by 17.0% to approximately RMB8.8 million and the decrease was mainly due to the increase in gross profit of sapling other than apple sapling.

Distribution and selling expenses decreased by 21.1% to approximately RMB225.4 million and it was due to the increasing maturity of sales channels and tighter control over the sales expense budget.

Administrative expenses increased by 4.9% to approximately RMB272.3 million and it was due to the increase in expenses caused by the frost damage to part of agriculture.

Finance costs increased by 17.0% to approximately RMB181.5 million and it was due to increase in loan balance, and the increase in right-of-use assets and lease liabilities.

Attributable mainly to the aforesaid, the Group's audited loss attributable to owners of the Company was approximately RMB156.8 million, representing an increase of 142.7% 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 2020, the Group's bank and other borrowings, bills payables and lease liabilities amounted to approximately RMB6,382.3 million (2019: RMB4,960.0 million), among which, approximately RMB4,612.3 million (2019: RMB3,499.8 million) were secured by way of charge on the Group's assets. Approximately RMB1.1 million and RMB6,381.2 million were denominated in USD and RMB respectively.

	2020	2019
	RMB'000	*RMB'000*
Bank loans	**3,686,391**	2,473,748
Other borrowings	**648,579**	968,128
Loans from government	**636,671**	159,550
Bills payables	**79,675**	186,000
Lease liabilities	**1,330,992**	1,172,618
	6,382,308	4,960,044

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 2020, the cash and cash equivalents and pledged bank deposits amounted to approximately RMB285.1 million (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 and other borrowings, bills payables and lease liabilities less cash and cash equivalents and pledged bank deposits 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 2020, the gearing ratio was 278.2% (2019: 232.8%).

Significant Investments Held and Material Acquisition and Disposals

(a) On 16 January 2020, 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.

(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 nonwholly owned subsidiary of the Company, "Ningxian Junong and the Fruit Industry Bureau were

* *For identification only*

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.

(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 Company, 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-independent third party at the time of the Agreement IV, 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.

(e) On 3 July 2020, Shaanxi Chaoyue (a non-wholly owned subsidiary of the Company), 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*) ("**Wuwei Agriculture**") and 武威海越現代農業有限公司 (Wuwei Haiyue Modern Agriculture Company Limited*) ("**Wuwei Haiyue**"，a non-independent third party at the time of the entering into of Agreement V) entered into a capital increase agreement (the "**Agreement V**") pursuant to which Wuwei Agriculture has agreed to make a capital increase to its subsidiary 武威海越現代農業有限公司 (Wuwei Haiyue Modern Agriculture Company Limited*) ("**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 90% and 10% equity interests in Wuwei Haiyue, respectively.

* *For identification only*

(f) On 23 December 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, 中央企業貧困地區河南產業投資基金(有限合夥) (Central Enterprise Poverty Area Henan Industrial Investment Fund*) ("**Henan Fund**"), 洛寧縣永豐現代農業投資開發有限公司 (Luoning City Yongfeng Modern Agricultural Investment and Development Company Limited*) ("**Luoning Yongfeng**") and its subsidiary 洛寧超越農業有限公司 (Luoning Chaoyue Agriculture Company Limited*) ("**Luoning Chaoyue**") entered into the capital increase agreement pursuant to which the registered capital of Luoning Chaoyue will be increased from approximately RMB24.77 million to approximately RMB29.02 million, of which Shaanxi Chaoyue has agreed to increase its capital contribution to the registered capital of Luoning Chaoyue from approximately RMB14.22 million to approximately RMB14.52 million at the consideration of RMB1.50 million, and Luoning Yongfeng has agreed to make a capital contribution to the registered capital of Luoning Chaoyue of approximately RMB3.95 million and additional approximately RMB16.05 million as Luoning Chaoyue's capital reserves. Upon completion of the proposed capital increase, each of Shaanxi Chaoyue, Henan Fund and Luoning Yongfeng will hold approximately 50.03%, 36.35% and 13.26% equity interest in Luoning Chaoyue, respectively.

Decrease in ownership interest in subsidiaries without loss of control

On 23 December 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into an investment agreement (the "Agreement VI") with Luoning Chaoyue and 洛寧縣永豐現代農業投資開發有限公司 ("永豐現代"), an independent third party at the time of the Agreement VI, to inject an additional capital of RMB19,500,000 into Luoning Chaoyue, a non-wholly owned subsidiary of Shaanxi Chaoyue. Pursuant to the Agreement VI, Shaanxi Chaoyue and 永豐現代 shall contribute additional capital of RMB1,500,000 and RMB18,000,000 respectively. 永豐現代 had made full capital contribution and the Group received total cash capital contribution of RMB18,000,000 from the non-controlling shareholder. The amount of RMB1,069,000, being the difference between the capital contribution of RMB18,000,000 and the amount of non-controlling interests adjusted of RMB19,069,000, was directly recognised in other reserve during the year ended 31 December 2020.

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 2020.

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.

* *For identification only*

Capital commitments

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

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**290,396**	412,882
Bearer plants	**27,106**	42,543
Capital contribution to associates	**33,810**	29,400
Capital contribution to a joint venture	**52,500**	–
	403,812	484,825

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 lease liabilities:

	2020	2019
	RMB'000	*RMB'000*
Property, plant and equipment	**882,111**	891,675
Bearer plants	**318,284**	242,607
Right-of-use assets	**845,167**	862,764
Pledged bank deposits	**58,885**	144,320
Inventories	**161,928**	462,490
Trade and other receivables	**1,800**	30,622
	2,268,175	2,634,478

Contingent liabilities

(a) Financial guarantee issued

The Group has provided security to a bank for loan facilities granted to a non-controlling shareholder of a subsidiary as follows:

	2020	2019
	RMB'000	*RMB'000*
Security given to a bank for loan facilities utilised by a non-controlling shareholder of a subsidiary	**30,000**	30,000

Pursuant to the terms of the guarantee, if there are any defaults on the loan, the Group shall have the responsibility to repay the outstanding loan principals together with accrued interest and penalties owed by the non-controlling shareholder of a subsidiary to the bank.

The fair value of the guarantee at date of inception is not material and is not recognised in the consolidated financial statements. At 31 December 2019 and 2020, the Directors do not consider it probable that a claim will be made against the Group under the above guarantee.

Save for the above, the Group did not have other significant contingent liabilities (2019: Nil).

(b) Litigation

During the year, certain suppliers and constructors initiated legal proceedings against the Group demanding repayment of outstanding trade payables and other payables of approximately RMB7,953,000 and RMB3,377,000 respectively. The unsettled amounts were fully accrued in trade and other payables and remain outstanding as at 31 December 2020. Aggregate bank deposits of RMB1,200,000 were frozen by the court. In the opinion of the Directors, the impact of penalties or overdue interest arising from the pending legal proceedings is insignificant and therefore not recognised in the consolidated financial statements.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, the Group did not have other plans for material investments or capital assets.

BUSINESS REVIEW

Juice concentrate and by-product processing

In 2020, the Group continued to strive to develop its business by leveraging its advanced production technology and its own service advantages, communicating with domestic and overseas customers in an all-round and in-depth manner, and exploring all possible opportunities on the basis of stabilising existing sales channels. After years of efforts, the Group has formed a stable sales presence in a number of domestical and overseas regions, including the United States, Canada, Japan, Korea, Thailand, Russia, the Middle East and the domestic market.

It is a fact that the COVID-19 pandemic started at the beginning of 2020 had a major impact on domestic and international juice sales. The seriousness of the domestic epidemic at the beginning of the year led to different degrees of delay in resuming work across the country, and normal production and operation activities could not be resumed in a short term. Due to the lockdown of cities and closure of roads all over the country, there was a shortage of transportation capacity nationwide, and it was difficult to fill and send the juice concentrate products from the factories to the ports, which in turn made it difficult to ship and fulfill the orders from customers. The COVID-19 pandemic spread globally during the latter part of the year, which had a significant impact on global shipping, with many countries closing air and sea freight, resulting in a decline in demand for fruit juice in overseas markets. However, under such severe circumstances, the Group still actively developed the domestic market and explored new domestic customers, resulting in an increase of 31.5% in sales of clear pear juice concentrate products compared with the previous year, and an increase of 31.5% in sales of small varieties of juice concentrate products such as white peach concentrate cloudy juice and an increase of 200% in sales of apple semi-cloudy juice.

At the same time, the Group expanded its product range by increasing the research and development of mainstream products, and simultaneously expanded multiple channels and increased the strategic layout of chain restaurants and hotel chains. As for end-user products, the Group increased its investment in research and development. While iterating and upgrading the original "Eden View" high-end bottled fruit drink series by newly developing strawberry, grapefruit and green apple flavors, the Group also launched the "Pure Twig" series of 100% fruit juice bottled beverages by sorting out the "Language of Fruit" drink series. Based on the above, the Group provides high-quality services to customers with high-quality products, rich product categories and diversified sales channels to meet the consumption needs of different groups and increase the stickiness of high-quality customers.

Modernised agriculture

In 2020, sales of the Group's modern agriculture segment increased by 37% over last year. Although the overall price performance of the domestic fresh fruit and vegetable market was relatively sluggish due to the impact of the COVID-19 pandemic in spring, and natural disasters such as persistent rains and frosts in some regions led to a reduction in production in some of the Group's production areas, the Group's sales of fresh fruit products still increased significantly over the previous year as the age of fruit trees increased and the Group's planting management level and operational efficiency improved.

During the reporting period, the construction and development of high-end facility agriculture was the top priority of the Group's modern agriculture business. Following the first phase of glass greenhouses in Tongchuan, Pingliang and Zhangye, the second phase of greenhouse projects in Baiyin and Zhangye were gradually put into operation in 2020. By the end of 2020, the Group had built and under-construction greenhouses covering an area of over 900,000 square metres.

During the reporting period, the Group strengthened production efficiency management through technological improvement and variety optimization, resulting in breakthroughs in the quality and yield of apples, citrus and candy tomatoes, and the products were highly praised by customers. In 2020, the Group further achieved scientific and digital management in pesticide residue control and virus disease detection of seedlings. The Group has built high-standard non-toxic citrus seedling breeding bases in Jingxi, Guangxi, Yilong and Gulin, Sichuan. The Group newly registered more than ten apple seedling trademarks such as Knip and Red Schniga Gala and successfully obtained approval for the introduction of European sweet cherry seedlings from the Netherlands, which enriched the domestic seedling planting varieties and enhanced the introduction and breeding of new varieties. The construction project of the baby carrots processing line of the Vegetable Division in Wuwei is under continuous construction and is expected to be put into operation in August 2021. The carrot yield of Pingyin Base broke through a record high, reaching nearly 5 tons per mu. In 2020, the Berry Division added a new blueberry base with a planting area of 1,000 mu, and completed the construction of a sorting line and processing workshop occupying an area of 15 mu, and successfully introduced professional sorting equipments and a professional cold storage facility in Spain.

In 2020, in terms of fresh produce marketing channel construction, the Group continued to implement its sales strategy of joint development of online and offline sales. While actively developing traditional national customers, distributors, wholesalers and retail customers, the Group also actively docked with major e-commerce brands and various community group buying platforms to try out various new sales models. In terms of brand building, the Group will continue to focus on the two brands of "Pure Twig" and "Eden View", and the fresh produce business and juice business will go hand in hand to continuously enrich the product categories in the brand, so that more consumers will be fully aware of the quality, professionalism and assurance of Haisheng Group's products.

Prospect

In the coming year, the Group will strengthen the management and integration of the planting bases, further improve the production efficiency of the bases, strengthen the management of the transportation and sales process, reduce losses and sales costs thereby improving the quality of end products. Meanwhile, the Company will continue to expand its market resources and form a nationwide sales network of Haisheng covering the entire system, so as to continue to provide consumers with safe, healthy and delicious good products and make substantial contributions to the modernization of Chinese agriculture.

ANNUAL GENERAL MEETING

The Company proposes to hold the forthcoming annual general meeting (the "**AGM**") on Friday, 28 May 2021. The notice of the AGM will be published on the Company's website and the website of the Stock Exchange and despatched 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 Tuesday, 25 May 2021 to Friday, 28 May 2021 (both dates inclusive) during which period no transfers of shares of the Company will be affected. In order to determine the identity of the shareholders who are entitled to attend and vote at the AGM, all transfers of shares, 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 Monday, 24 May 2021.

DIVIDENDS

The Board does not recommend any payment of final dividend for the year ended 31 December 2020 (2019: Nil).

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 2020:

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 2020, 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 the Group incurred a net loss of approximately RMB107,519,000 during the year ended 31 December 2020 and, as of that date, the Group had current liabilities of approximately RMB2,436,014,000. As stated in Note 2, these conditions indicate the existence of a material uncertainty which 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.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 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 (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 of the CG code stipulates that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. At present, the Company does not have a competent candidate for the position of chief executive officer. Mr. Gao Liang, therefore, acts as the chairman and chief executive officer of the Company. The Company is recruiting for the competent and suitable person to take the position of chief executive officer. Code Provision A.6.7 of the CG code (the "**Second Deviation**") stipulates that the independent non-executive Directors should, inter alia, attend general meetings. Code Provision E.1.2 of the CG code (the "**Third Deviation**") stipulates that the chairman of the board (the "**Chairman**") should attend the annual general meeting of the Company and should invite the chairman of audit, remuneration and nomination committees to attend. Regarding the Second Deviation and the Third Deviation, the Chairman (who is also the chairman of nomination committee of the Company) and one independent non-executive Director, namely Mr. Zhao Boxiang (chairman of remuneration committee of the Company), 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. Other members of the remuneration and nomination committees of the Company attended the aforesaid general meeting 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 2020, the Group had 2,940 employees (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 of the Company, 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 2020.

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 Ms. Huang Liqiong (Chairperson), Mr. Zhao Boxiang and Mr. Liu Zhongli, with written terms of reference in compliance with the CG Code.

The audit committee of the Company has reviewed and discussed the audited final results for the year ended 31 December 2020.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2020.

DISCLOSURE OF INFORMATION ON 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 2020 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, 30 March 2021

As at the date of this announcement, the executive directors are Mr. Gao Liang, Mr. Wang Yasen, Mr. Wang Junqing and Mr. Qu Binglian; the independent non-executive directors are Mr. Zhao Boxiang, Mr. Liu Zhongli and Ms. Huang Liqiong.