2019

ANNUAL REPORT

海升集团 2019 Annual Report

HAISHENG

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

Stock Code:359

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

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Corporate Information

STOCK CODE
359

EXECUTIVE DIRECTORS
Mr. Gao Liang *(Chairman)*
Mr. Wang Junqing *(appointed on 14 November 2019)*
Mr. Wang Yasen *(appointed on 27 September 2019)*
Mr. Wang Linsong
Mr. Ding Li *(resigned on 14 November 2019)*
Mr. Zhao Chongjun *(resigned on 27 September 2019)*

INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms. Huang Liqiong *(appointed on 3 December 2019)*
Mr. Zhao Boxiang
Mr. Liu Zhongli
Mr. Chang Xiaobo *(resigned on 3 December 2019)*

COMPANY SECRETARY
Mr. Terence Sin Yuen Ko, FCCA

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

AUDIT COMMITTEE MEMBERS
Ms. Huang Liqiong *(Chairwoman) (appointed on 3 December 2019)*
Mr. Chang Xiaobo *(Chairman) (resigned on 3 December 2019)*
Mr. Zhao Boxiang
Mr. Liu Zhongli

REMUNERATION COMMITTEE MEMBERS
Mr. Zhao Boxiang *(Chairman)*
Ms. Huang Liqiong *(appointed on 3 December 2019)*
Mr. Liu Zhongli
Mr. Chang Xiaobo *(resigned on 3 December 2019)*

NOMINATION COMMITTEE MEMBERS
Mr. Gao Liang *(Chairman)*
Ms. Huang Liqiong *(appointed on 3 December 2019)*
Mr. Zhao Boxiang
Mr. Liu Zhongli
Mr. Chang Xiaobo *(resigned on 3 December 2019)*

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

AUDITOR
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LEGAL ADVISER
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Financial Highlights

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and Liabilities					
Non-current assets	**7,142,093**	4,543,163	3,506,838	2,872,696	2,131,341
Net current liabilities	**(1,735,684)**	(1,128,298)	(920,404)	(522,597)	(618,883)
Non-current liabilities	**(3,411,069)**	(1,594,154)	(1,075,837)	(1,128,982)	(381,505)
	1,995,340	1,820,711	1,510,597	1,221,117	1,130,953
Share capital	**13,296**	13,296	13,296	13,061	13,061
Reserves	**1,162,422**	1,226,968	1,143,898	999,198	969,355
Equity attributable to owners of the Company	**1,175,718**	1,240,264	1,157,194	1,012,259	982,416
Non-controlling interests	**819,622**	580,447	353,403	208,858	148,537
Total equity	**1,995,340**	1,820,711	1,510,597	1,221,117	1,130,953

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating results					
Revenue	**1,231,571**	1,752,807	1,382,676	1,127,434	1,143,990
(Loss)/profit before tax	**(13,456)**	93,512	188,639	47,883	7,025
Income tax (expense)/credit	**(9,455)**	(15,726)	(12,479)	25	(1,317)
(Loss)/profit for the year	**(22,911)**	77,786	176,160	47,908	5,708
(Loss)/profit for the year attributable to:					
Owners of the Company	**(64,591)**	79,686	145,125	26,825	(1,411)
Non-controlling interests	**41,680**	(1,900)	31,035	21,083	7,119
	(22,911)	77,786	176,160	47,908	5,708

CHAIRMAN'S STATEMENT

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

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Haisheng Juice Holdings Co., Ltd. ("Haisheng Juice" or the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to report the consolidated results of the Company for the year ended 31 December 2019.

The Group recorded revenue of approximately RMB1,231.6 million for the year ended 31 December 2019, representing a decrease of 29.7% over last year. Loss attributable to owners of the Company was approximately RMB64.6 million, and basic and diluted losses per share amounted to RMB5.01 cents and RMB5.01 cents respectively.

During the year under review, the production of apples in Europe reduced due to weather conditions, and the production of apple juice concentrate industry in China rebounded. However, affected by the trade friction between the People's Republic of China (the "PRC") and the United States of America (the "U.S.") and the increase in the procurement volume of U.S. customers based on the expected increase in tariffs in the previous year, the sales volume of the Group's juice concentrate dropped significantly as compared to 2018. Faced with the uncertainties of the external environment, the Group quickly formulated a reasonable production and sales strategy taking into account the market conditions, and vigorously developed other markets. Orders for the domestic market increased by approximately 32% in 2019, while orders for the Japanese market increased by approximately 32%.

Chairman's Statement

In 2019, in the field of modern agriculture, the Group, as a leading enterprise in the state-level agricultural industry, responded positively to the state policies of promoting agriculture through science and technology and poverty alleviation by agriculture. Both production and sales volume of fresh fruit products increased significantly from the previous year, of which the production of apples and citrus increased by 267% and 324% respectively over the previous year and the revenue of fruit sales increased by approximately 96%. In addition, the Group continued to enhance its construction planning in smart agriculture, and actively explored the application of new varieties, new energy, new materials, artificial intelligence, and cloud computing in smart agriculture.

OUTLOOK AND PROSPECTS

The year 2020 is destined to be an extraordinary year. The epidemic will bring great changes to the consumer demand and channel structure of the PRC market, while opportunities and challenges for domestic food companies coexist. The Group will quickly adjust and actively respond to market changes, continue to improve the quality and sales of fresh fruit products, and maintain a healthy development of the enterprise. Although the epidemic at the beginning of the year has had a certain impact on consumption, there is still huge potential for the beverage and fresh fruit consumption market in the future. The Group will continue to enhance the sales capacity of fresh fruits while ensuring the quality of fruit products, and provide market consumers with high-quality, assured and delicious fresh fruit products.

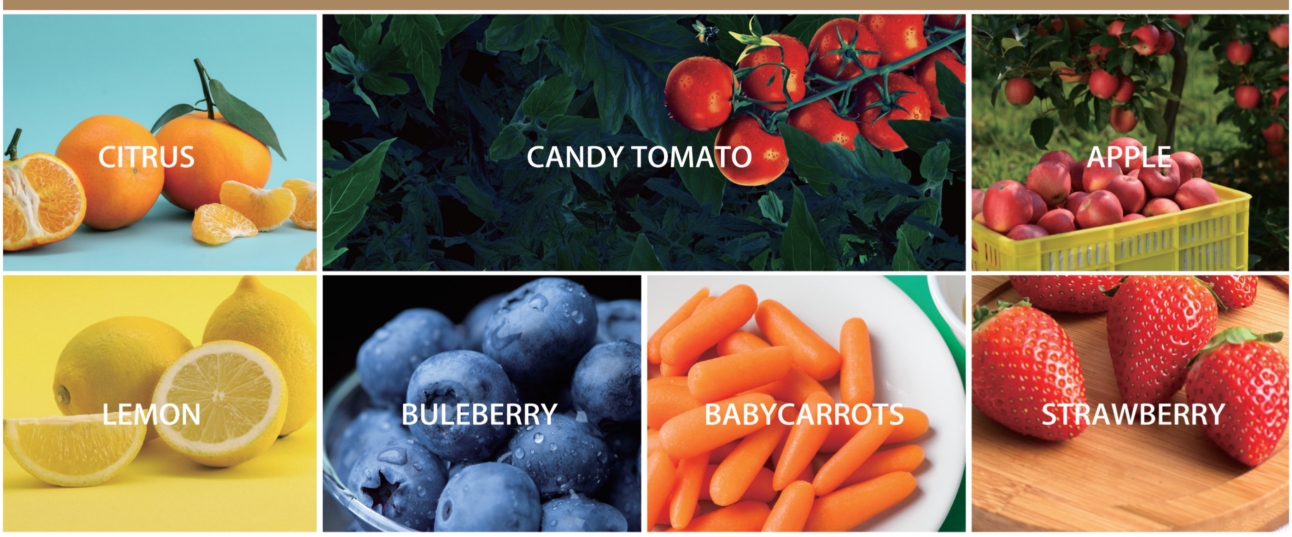
ACKNOWLEDGEMENTS

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, customers and business partners for their support and trust. To our management team and staff, I thank them for their contributions and efforts to make the Group's restructuring phase a success.

Gao Liang
Chairman

Xi'an, the PRC
15 May 2020

SO FRESH
2019



Management Discussion and Analysis

FINANCIAL REVIEW

For the financial year ended 31 December 2019, China Haisheng Juice Holdings Co., Ltd (the "Company") and its subsidiaries (collectively the "Group") recorded a revenue of approximately RMB1,231.6 million, representing a decrease of approximately 29.7% over the previous year. Gross profit margin for the current year is 6.1% as against 14.4% in the previous financial year.

The decrease in revenue in 2019 was mainly attributable to the China-USA trade friction and the decrease of sales volume as compared with the previous year resulting from the enlarged procurement volume under the USA customers' expectation of additional tariffs in 2018.

The decrease in gross profit margin in 2019 was mainly due to the higher raw materials costs in 2018 which led to the increase of inventory costs in 2019.

Other income increased by 24.7% to approximately RMB298.9 million and the increase was mainly due to the increase of government grants and amortisation of deferred government grants.

Other gains and losses changed from a net gain of approximately RMB60.1 million in 2018 to a net loss of approximately RMB10.6 million in 2019 and the change was due to the fact that the amount for the year ended 31 December 2018 included gain on disposals of apple saplings of approximately RMB59.6 million before apple saplings ceased to meet the definition of bearer plants.

Distribution and selling expenses decreased by 2.3% to approximately RMB285.8 million and it was due to the decrease in the export volume of fruit juice segment which led to the corresponding decrease of freight and port miscellaneous charges.

Administrative expenses increased by 2.6% to approximately RMB259.6 million and it was due to the costs increase led by increased planting area and production volume.

Finance costs increased by 11.6% to approximately RMB155.2 million and it was due to the increase in bank and other borrowings.

Attributable mainly to the aforesaid, the loss attributable to owners of the Company recorded by the Group was approximately RMB64.6 million, while the profit attributable to owners of the Company recorded by the Group was approximately RMB79.7 million for the previous financial year, representing a decrease of 181.1% 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 2019, the Group's bank and other borrowings, bills payables and lease liabilities amounted to approximately RMB4,960.0 million (2018: RMB3,295.6 million), among which, approximately RMB3,499.8 million (2018: RMB2,337.0 million) were secured by way of charge on the Group's assets. Approximately RMB33.5 million and RMB4,926.5 million were denominated in United States dollars ("USD") and RMB respectively.

	2019	2018
	RMB'000	RMB'000
Bank loans	**2,473,748**	1,884,000
Other borrowings	**968,128**	554,199
Loans from government	**159,550**	71,086
Bills payables	**186,000**	435,452
Lease liabilities	**1,172,618**	–
Finance lease payables	**–**	350,872
	4,960,044	3,295,609

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 2019, the bank and cash balances including pledged bank deposits amounted to approximately RMB315.3 million (2018: RMB657.7 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 lease liabilities 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 2019, the gearing ratio was 232.8% (2018: 144.9%).

Significant investments held and material acquisition and disposals

a) On 5 September 2019, 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 I") with 銅川綠能智庫管理諮詢合夥企業有限公司 ("Tongchuan Lvneng") and 銅川市王益區新動能投資發展有限公司 ("Wangyi Xindongneng"), both of which were independent third parties at the time of the Agreement I, pursuant to which Shaanxi Chaoyue, Tongchuan Lvneng and Wangyi Xindongneng have agreed to establish 銅川海馳農業科技有限公司 ("Tongchuan Haichi") with a registered capital of RMB120,000,000 and each of Shaanxi Chaoyue, Tongchuan Lvneng and Wangyi Xindongneng agreed to contribute to the registered capital of Tongchuan Haichi at RMB50,000,000, RMB49,000,000 and RMB21,000,000, respectively. Upon the completion of the capital contributions, Tongchuan Haichi would be owned as to 41.67%, 40.83% and 17.50% by Shaanxi Chaoyue, Tongchuan Lvneng and Wangyi Xindongneng respectively.

b) On 14 October 2019, 威寧超越農業有限公司 ("Weining Chaoyue"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement II") with 威寧彝族回族苗族自治縣農業產業發展投資有限公司 ("Weining Nongye"), an independent third party at the time of the Agreement II, pursuant to which Weining Chaoyue and Weining Nongye have agreed to establish 威寧儂超現代農業有限公司("Weining Nongchao") with a registered capital of RMB40,000,000 and each of Weining Chaoyue and Weining Nongye agreed to contribute to the registered capital of Weining Nongchao at RMB28,000,000 and RMB12,000,000, respectively. Upon the completion of the capital contributions, Weining Nongchao would be owned as to 70% and 30% by Weining Chaoyue and Weining Nongye respectively.

c) On 11 December 2019, 來賓海升農業有限公司 ("Laibin Haisheng"), a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement III") with 廣西來賓現代農業投資集團有限公司 ("Guangxi Laibin Modern Agriculture"), an independent third party at the time of the Agreement III, pursuant to which Laibin Haisheng and Guangxi Laibin Modern Agriculture have agreed to establish 來賓海升田園農業有限公司 ("Laibin Haisheng Garden Agriculture") with a registered capital of RMB30,000,000 and each of Laibin Haisheng and Guangxi Laibin Modern Agriculture agreed to contribute to the registered capital of Laibin Haisheng Garden Agriculture at RMB19,500,000 and RMB10,500,000, respectively. Upon the completion of the capital contributions, Laibin Haisheng Garden Agriculture would be owned as to 65% and 35% by Laibin Haisheng and Guangxi Laibin Modern Agriculture respectively.

d) On 19 December 2019, 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 IV") with 洛寧縣永豐現代農業投資開發有限公司 ("Luoning Yongfeng"), an independent third party at the time of the Agreement IV, pursuant to which Shaanxi Chaoyue and Luoning Yongfeng have agreed to establish 洛寧海越現代農業科技有限公司 ("Luoning Haiyue") with a registered capital of RMB40,000,000 and each of Shaanxi Chaoyue and Luoning Yongfeng agreed to contribute to the registered capital of Luoning Haiyue at RMB28,000,000 and RMB12,000,000, respectively. Upon the completion of the capital contributions, Luoning Haiyue would be owned as to 70% and 30% by Shaanxi Chaoyue and Luoning Yongfeng 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 2019.

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:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	412,882	310,496
Bearer plants	42,543	507
Capital contribution to an associate	29,400	29,400
	484,825	340,403

Pledge of assets

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

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	891,675	1,070,017
Bearer plants	242,607	324,384
Right-of-use assets	862,764	–
Prepaid land lease payments	–	62,687
Pledged bank deposits	144,320	348,629
Inventories	462,490	284,618
Trade and other receivables	30,622	53,820
	2,634,478	2,144,155

Contingent liabilities

Details of contingent liabilities of the Group at 31 December 2019 are set out in note 41 to the consolidated financial statements.

Future plans for material investments and capital assets

At 31 December 2019, the Group did not have other plans for material investments or capital assets.

BUSINESS REVIEW

Juice concentrate and by-product processing

As the developed countries have stable demand on apple juice products and China and Europe, being the largest and second largest producing zones of apple juice concentrate, have provided relatively steady production volume, the supply and demand in the industry and so the market price have remained stable over the years. However, fruit trees in Northern China were threatened by a rare severe frost in 2018, supply of apples in China reduced significantly, which led to a shortage of raw material of juice ingredients and higher procurement price. Therefore, total production volume of apple juice concentrate in China in 2018 fell significantly from the previous years and resulted in a corresponding decrease in inventory of apple juice concentrate products as well in early 2019. Meanwhile, to minimise the impact of tariffs caused by the China-USA trade friction, most of the USA customers made early purchase of large number of fruit juice concentrate products from China in December 2018, leading to a significant decline in China's apple juice concentrate export volume in 2019. Owing to the factors above, export volume of China's apple juice concentrate in 2019 reached approximately 390,000 tons, representing a decrease of approximately 170,000 tons as compared with 2018.

During the reporting period, suffered from the above impacts, the Group's revenue from sales of apple juice concentrate products was reduced notably as compared with 2018. Given that the Group's exports to North America decreased, the Group has promptly formulated reasonable production and sales strategies with reference to the market conditions so as to explore other markets. In 2019, domestic orders increased by approximately 32% and orders from Japan increased by approximately 32% as compared with last year. In addition, the Group has actively adjusted its product structure and made much effort in promoting other juices. The sales volume of pear juice concentrate increased by 35% as compared with the previous year. The Group also boosted up the sales volumes of other non-mainstream fruit juice products such as apple syrup, hawthorn syrup and peach juice. As for end-user products, the Group continued to expand sales channels for the domestic market for "Eden View" high-end bottled fruit drink series, keep abreast of the trend and promoted the brand's positive image and value in multi-platforms.

Modernised agriculture

During the reporting period, the Group, as a national leading agricultural production enterprise, was active in implementing the State's policies such as agro-science and technology and agricultural poverty alleviation and monitored the market situation to make progress, striving to achieve good development in the modernised agriculture sector. Leveraging its extensive practical experience, the Group continued to improve its planting management and operating efficiency during the reporting period so as to increase the production volume of the fresh fruit products and the output of commodity fruits. The production volume and sales volume of fresh fruit products such as apples, kiwis, pears, cherries, citruses, carrots, blueberries, etc. have all increased significantly as compared with the previous year. Among them, production volume of apples increased by 267% as compared with the previous year and that of citruses increased by 324% from the previous year, and revenue from sales of fruit products increased by approximately 96% as compared with the previous year.

In 2019, in addition to maintaining highly efficient production in its existing planting bases, the Group adjusted its strategies for various high quality production areas reasonably and shifted to widely promote the production of star products including citruses, baby carrots and candy tomatoes. During the reporting period, the Group achieved promising development in its citrus business and its newly constructed modern and high-standard citrus planting areas covered more than 50,000 mu in total. It also further enhanced its planting technology and management standards of the planting bases. The Group's orah mandarin products were launched for the first time during the reporting period, the quality of which was highly recognised by the customers. The Group will put to the market Ehime, Tango and sweet lemon soon in future.

The Group made enormous development for its agriculture equipment in 2019. The intelligent glass greenhouse covering 200,000 square metres in Zhangye City built by the Group maintained good production and operation under the Global GAP standard. Besides, the Group constructed the new intelligent glass greenhouses in Jiangsu and Gansu Provinces covering 450,000 square metres for all season production of candy tomatoes, coloured peppers and muskmelons throughout the year.

Management Discussion and Analysis

At the same time, the Group has continued to enhance its post-harvest processing chain of fruits. Sorting and packaging lines and cold storage facilities were set up in Henan, Gansu and Guizhou Provinces in 2019. At present, the daily fruit sorting capability reached 320 tons and the storage capacity reached 60,000 tons. The improved post-harvest processing chain has not only maintained a secured condition for storage and preservation of fruits, but also enabled selection of the most suitable products for each source of production for better prices.

Furthermore, the Group has actively expanded its sales channels and aroused consumers' awareness and recognition of the "Pure Twig" and "Eden View" brands through brand marketing, trade exhibitions, on-line marketing and media advertising, so as to lay a strong foundation for product sales in 2019 and the future.

Prospect

Looking forward, the Group will continue to expand its agricultural plantation sector, optimise the resource allocation strategy, enhance the planting technology, strengthen its operating management and rapidly improve both the production quantity and quality of its fruit products, so as to provide the domestic consumers with healthy and tasty fruits and vegetables. As for the juice concentrate and by-product processing sector, the Group will keep on developing new products that meet the market demand, enhance its production management and cost control to actively respond to future challenges.

Environmental, Social and Governance Report

1. INTRODUCTION

About this report

This report focuses on the disclosure annual data on the environment, the society and governance of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group"). This report is prepared according to the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reporting period and scope

This report fully covers the data and information about the Group, the fruit juice processing plants and agricultural cultivation companies and covers the full financial year from 1 January 2019 to 31 December 2019.

2. ENVIRONMENTAL PROTECTION

The agricultural cultivation bases of the Group comply with the standards under the Global Good Agricultural Practices ("Global GAP") and are equipped with advanced agricultural machinery. Compared with traditional agricultural planation, the Group has significant achievement in terms of water and fertilisers saving, and environmental preservation. The research and development, processing and sale of fruit and vegetable juice products conducted by the Group are closely related to environmental protection and use of natural resources. A series of management policies, mechanisms and measures were formulated by the Company for the protection of the environment and natural resources to adhere to the aim of sustainable development and operation.

The Group strived to enhance the utilisation efficiency of various energy, water resources and materials. It also follows the relevant environmental regulations and international rules in places where it operates to reduce the use of various natural resources and devotes in environmental protection. Actions taken by the Group include the control of greenhouse gases based on international standards, the emission reduction and recycling of wastes and energy saving in plants with high energy consumption.

Use and procurement of raw materials

The raw materials used in the fruit and vegetable juice processing industry are mainly fresh fruits and vegetables. All materials of the Group are procured from repeatedly confirmed qualified plantation areas. It also selects local qualified suppliers to reduce the risks on supply suspensions and the carbon emission for the transportation of materials.

Use of energy

The key points in the strategies of the Group on the management of energy use are as follows:

1) Gradually eliminate fossil fuels with high pollution/high carbon emission and replace them with electricity or clean fuels.

2) Conduct the monitoring on use of energy and focus on improving the energy efficiency of equipment to reduce energy consumption.

3) The Group also formulated the "Energy Management Measures" for reasonable use of energy to gradually enhance the utilisation efficiency of energy.

Environmental, Social and Governance Report

4) The energy categories used in the fruit and vegetable processing plants of the Group include electricity, coals, steam and natural gas. The annual use of energy and the average energy consumption per ton of products are as follows:

Energy Categories	Electricity (kwh)	Coal (ton)	Steam (cubic meter)	Natural gas (cubic meter)
Usage amount	16,927,224	4,466	203	10,369,769
Average energy consumption per ton of fruit juice	288.19	0.076	0.003	176.55

5) The Group conducts energy-saving technical transformation on major equipment based on their conditions every year and implements energy-saving management system. Up to 31 December 2019, six plants of the Group started to use natural gas boilers.

Use of water resources

The fruit and vegetable juice processing industry is an industry with high water consumption. On the use of water resources, the Group develops water balance policies and recycles the evaporated water generated from the production process. Based on water resources management policies, the Group ensures that safe water usage meeting the statutory standards on water quality is provided and sewage is treated to comply with the requirements of local regulations on wastewater discharge.

To manage the safe use of water resources, the plants are equipped with reverse osmosis water purification system and equipment. Operation standards on water purification and wastewater treatment were developed and regular testing on water quality was conducted. Meanwhile, the Group regularly appoints external agencies to test water quality according to laws to ensure that the water quality of all plants is safe and clean.

Currently, the supply of water resources in all areas is mainly from local municipal water supply and own well water, and there is no problem in seeking appropriate water sources.

The total water consumption at fruit and vegetable processing plants was approximately 883,250 cubic meters in 2019. The sources of the water supply and water consumption of the Group are within the scope of permission of local governments and have no significant influence on the sources of the water supply.

Discharge of wastewater

The Group formulated the "Sewage Discharge Management System" to reduce discharge from sources and ensure proper treatment to meet the regulatory requirements.

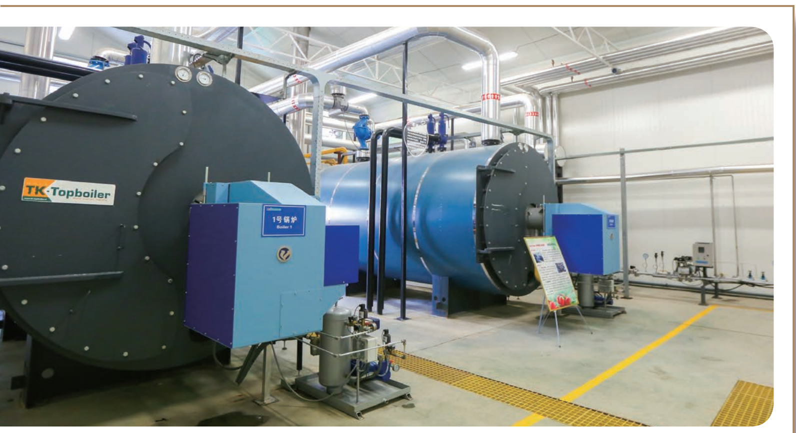
Most of the polluted water in the plant areas is from the washing water for fruit, the disposal of waste after the ultrafiltration of juice and the wastewater from washing equipment and pipelines. Only a small proportion is from domestic water consumption of employees. All plants are equipped with sewage treatment stations for industrial wastewater and the wastewater will not be discharged until meeting the discharge standards after treatment.

All plants are equipped with large sewage treatment systems. Different models of treatment processes were conducted based on the treatment requirements on water quality to ensure the effectiveness of treatment. The plants are all equipped with specialised water quality laboratories to conduct testing and monitoring on water quality. Meanwhile, the Group regularly engages local competent authorities to conduct sampling and testing on discharged water according to the laws and discharge wastewater through legal discharge outlets after meeting the discharge standards. In 2019, the Group did not receive any notice on illegal discharge at the discharge outlets of our plants and there were no significant environmental impact on the receiving waterbody and surrounding environment.

Carbon Emission of greenhouse gases

The Group pays continuous concern to the Paris Agreement and relevant laws and regulations or specific actions of all countries on reducing the emission of greenhouse gases. Besides abiding by relevant laws and regulations of all strongholds, it also developed and implemented measures on reducing the emission of greenhouse gases. The Group currently assists plants in energy-saving and carbon emission reduction through energy-saving programmes and gradual elimination of fossil fuels with high pollution/high carbon emission.

The sources of greenhouse gases emission generated from the production of fruit and vegetable juice are mainly from the smoke and dust, sulfur dioxide and nitrogen oxides from the use of electricity and the combustion of fossil fuels. As for hydrofluorocarbon, perfluorocarbon and sulfur hexafluoride, only a few of sulfur hexafluoride are used as insulated filling gas in high voltage distribution equipment. Based on the statistics of manufacturers, its routine leakage chances are extremely low. As a result, the carbon emission from dissipation is only calculated when the equipment is filled. In 2019, the total carbon emission from greenhouse gases was approximately 47,400 tons, approximately 65% was generated from the combustion of fossil fuels and 35% was generated from the use of electricity.



By setting up hot water storage system and carbon dioxide recycling system for the greenhouse production base, while the natural gas boilers are heating up the greenhouse with combustion of natural gas, the carbon dioxide generated would be supplied to the greenhouse crops for photosynthesis. Crop yields would be increased and zero emission of carbon dioxide from natural gas boilers would be achieved.

Pollution prevention and management

Environmental management policies

Adhering to the principle of balancing environmental protection and production, the Group adopted the following measures on environmental protection:

1) Introduce the effective operation of the environmental management system, implement the prevention of environmental pollution and impact management to continuously improve and promote the sustainability of environmental resources.

2) Comply with and meet the relevant laws and regulations on environmental protection and other requirements, develop and implement relevant standards and operation procedures based on such.

3) Optimise the production process, promote clean production, reduce the emission of pollutants, implement the control and management of pollution and conduct regular testing and inspection.

4) Reduce the use of hazardous substances, promote the implementation of measures on reducing industrial waste, recycling and reusing resources, saving energy and reducing carbon emission to continuously enhance the performance of the Group in environmental protection.

5) Strengthen education and training to enhance the awareness of all employees on environmental protection to fully implement environmental responsibilities.

6) In practical operation and management, the Company develops relevant standards on

environmental protection as the standards implemented in all plants. Meanwhile, the management system on the independent operation of plants was established with reference to the ISO 14001 "Environmental Management System".

Compliance in environmental management

Out of respect for and protection of environmental resources, the plants of the Group conduct specialised collection and treatment of pollutants generated from the production and operation and strive for proper treatment to meet the requirements and standards of local regulations before emission.

There were no significant illicit emissions and leakages from the plants of the Group that resulted in serious environmental pollution and impact in 2019.

Biodiversity impact management

For the operation bases, the Group conducted assessments on the environment of relevant industrial lands and relevant regulations in the early stage of planning. The selected production bases are located in the areas permitted for economic development by the local governments, instead of habitats of locally protected or reserved creatures. There are no endangered species or internationally protected species in the area. The Group has strived to avoid affects and impact on local biodiversity and environment.

Air pollution sources management

Currently, the air pollution sources of the plants are mainly volatile organic compounds, smoke from fuel boilers and the flue exhaust from kitchens. For the prevention and control of air pollutants, the Group has handled the air pollutants properly with specialised treatment to meet the standards on clean production and regulatory requirements.

Wastes management

The plants of the Group focus on the legitimate removal and recycling of wastes. All wastes should be removed and treated by qualified suppliers certified by the government as required by local regulations.

The wastes from the plants are mainly classified into four categories, including domestic wastes, industrial wastes, hazardous wastes and recyclable wastes. Domestic wastes and industrial wastes were removed and treated by local qualified recyclers. Hazardous wastes generated, in accordance to local or national laws, was identified and classified. Special areas for temporary storage of hazardous wastes were set and managed by specific staff. Hazardous wastes would later be handled by treatment companies recognised by the national environmental protection authorities. Recyclable wastes was collected by establishing control center for recyclable materials in plant areas and managed in categories.

As at 31 December 2019, the removal and treatment of all wastes complied with the local management requirements.

3. EMPLOYEES

Employment

In 2019, the Group integrated its development strategies to precisely hunt the core technology, strategic development, sales and other professionals and upgraded the elite team. Through cooperation with outstanding agricultural colleges and universities around the globe, a large number of high-potential technical talents have been stocked which further enhance the team of talents.

As talents are the core competitiveness of an enterprise, the Group provides employees with competitive remuneration and benefits in the market. Meanwhile, the

Group strengthened strategic development for talents and consistently improves various human resources systems on the selection, hiring, cultivation and retaining of employees, creating a fair and open occupational environment for employees and providing diversified and internationalised development opportunities. The Group provides employees with effective protection in legal rights such as social insurance and various leaves and holidays. The Group respects the religious belief and personal stance of all candidates. The Group assesses the ability, quality and suitability for the position of candidates with the orientations of innovation and value creation, without sexual discrimination, national discrimination and disability discrimination and any inequality.

As at 31 December 2019, the Group had a total of 3,199 employees, approximately 99.9% of which were located in the People's Republic of China (the "PRC"). The proportion of male and female employees was approximately 66:34. Approximately 38.0% of the total number of employees held a bachelor's degree or above; approximately 7.1% of the total number of employees held a master's degree or above; while approximately 0.3% of the total number of employees held a doctoral degree or above. In 2019, the employee turnover rate was approximately 57.8%.

Health and safety

The Group protects the health and safety of employees in the working environment for long-term and regularly organises trainings on relevant safety procedures and operation standards to minimise safety accidents in the working environment. The Group provides an excellent working environment for employees and strictly implements various regulations of the corporate social responsibility standards on occupational health and safety measures. It also arranges comprehensive health check for all employees every year. There were no work related injuries or death of employees in 2019.

Development and training

The Group has conducted various forms of training targeting different positions based on the needs of work duties so that employees can be competent at their current positions. For fresh graduates, the Group launched the Green Apple Project, which included quality development, competency training, leadership training, corporate culture training, business training etc., to strengthen the comprehensive practical ability of fresh graduates. For new employees, the Group launched a systematic orientation training programme, which involved the introduction to the Group's background, organisation structure, business development, talents strategy, handling and treatment of administrative matters etc. For junior management, the Group arranged short training sessions for them to enhance their management capabilities. For middle and senior management, the Group cooperated with world-leading business institutions such as China Europe International Business School (CEIBS), Guanghua School of Management of the Peking University and Cheung Kong Graduate School of Business (CKGSB) to enhance the management standards and decision-making abilities of middle and senior management. In 2019, the Group also commenced various trainings on different topics. For fresh graduates, the Group launched the "Management Trainee・Green Apple Project" to deepen their understanding and recognition of the Group and enhance the team awareness and comprehensive ability of the fresh graduates through quality development, bases visits, corporate culture and business training, etc. For junior management, the Group initiated the "Leadership Training" project under the cooperation with DDI to enhance the management awareness and management capabilities of junior management. For middle and senior management, the Group invited AMA to organise four "Leadership Training" projects to further enhance the management standards of middle and senior management.

Employee welfare

The Group provides employees with competitive remuneration and benefits in the industry and contributes to social insurance for employees according to national and local laws and regulations. The Group manages vacation based on national laws and regulations. All employees enjoy paid annual leaves, marriage leaves, maternity leaves and private affair leaves.

The Group held various activities in 2019 to further promote the corporate cultural construction. Employees actively participated in the activities, which further strengthened the awareness for team spirit and enhanced the cohesiveness and sense of belonging of employees.

Labour standards

In 2019, the Group strictly abided by relevant labour laws and regulations in Hong Kong and the PRC and prohibited the employment of child labours or forced labours. During the recruitment, the human resources department strictly followed the Labour Law and Labour Contract Law of the PRC in the recruitment of employees and future retention, and required candidates to confirm their relevant information by written confirmation. If any information in violation of employment standards was found, the recruitment will be terminated immediately.

4. OPERATION MANAGEMENT

Suppliers

Suppliers are an important part in the business of the Group, providing the Group with different products and services, including office equipment, transportation services, raw materials for production and construction services. The Group strives to treat suppliers and other business partners with its utmost respect and integrity and selects suppliers through a fair process. The Group selects suppliers based on reasonable and clear standards, such as the product quality, after-sale services, prices and credit period and records on cooperation, in order to procure products and services of the best quality with most competitive resources. The Group also establishes services record reports on suppliers and monitors the overall performance of the suppliers selected. Suppliers with bad cooperation records would be eliminated and continuous cooperation with quality suppliers would be established. A majority of suppliers of the Group are located in the PRC.

Product liabilities

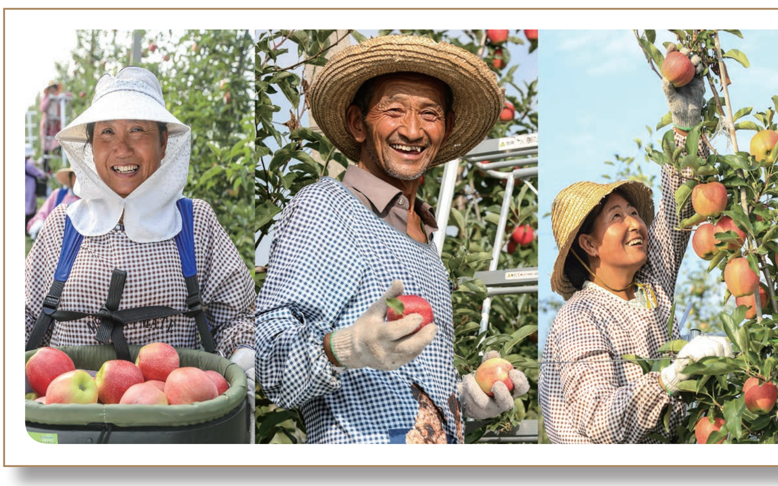
After development of more than two decades, the customers of the Group are located in more than twenty countries and regions in the world. The Group has advanced technique to assure the high quality of juice concentrates. The juice concentrates products of the Group have passed the ISO9001 certification, the SGF certification, the KOSHER certification and the HACCP certification on food safety as well as the internal certifications of various well-known food manufacturers in the world. The fresh fruit and vegetable products supplied to the customers by the Group have undergone standardised sorting and testing to guarantee the naturalness, quality and safety of products. The Group conducts customer satisfaction survey every year to better understand the opinions and requirements of customers and their objective evaluation of the Group. The 2019 survey report showed that customers were satisfied with the Group.

Anti-corruption

In 2019, the Group abided by all relevant anti-corruption laws in Hong Kong and the PRC. The Group attaches great importance to the education and training on professional ethics of employees and requires no employees to obtain benefits from customers, contractors, suppliers or individuals who have business relationship with the Group. For the gifts voluntarily given, employees shall reoprt to the superiors or the human resources department of the Group for approval. The Group has formulated reporting policies and employees can report any suspicious illegal or improper behaviour to the human resources department or independent non-executive Directors. The Group will conduct thorough investigations and reviews after receiving report. Employees will be dealt with seriously if involvement in abuse of authority and corruptive behaviour is confirmed.

Community

The Group has developed modern agricultural industries in poverty-stricken areas in many countries , helped farmers to fight against poverty and increase income through different means such as land transfers and employee and technical trainings, and transfer the operational risk of farmers reasonably and effectively. The Group supported the neighbourhood farmers to change the traditional farming model by "opening agricultural field university and continuously spreading planting techniques". The income of farmers was increased through the Thousands of Enterprises Helping Thousands of Villages campaign. The Group also donated relief supplies to poor students in rural areas for multiple times to help improve their living and learning condition.



Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Gao Liang (高亮), aged 59, is the founder and chairman of the Group. He is responsible for the Group's corporate policy formulation, business strategic planning, business development and overall management of the Company. Mr. Gao has devoted himself to the apple juice concentrate industry since 1996, and has gained plenty of sales and management experiences. In 1982, Mr. Gao graduated from Shaanxi Finance and Economic Institute (陝西財經學院) in industrial economics, and he completed the Global CEO Programme organised by China Europe International Business School. Mr. Gao represents 陝西海升果業發展股份有限公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd.) ("Shaanxi Haisheng") which has been elected as vice president of Fruit Juice Association of China Chamber of Commerce For Import and Export of Foodstuffs, Native Produce and Animal By-Products (中國食品土畜進出口商會). Moreover, his personal accreditations include being elected in 1999 by New China News Agency Shaanxi Branch (新華通訊社陝西分社) and Shaanxi Public Personnel Editorial Committee (陝西新聞人物編委會) as the Turn of the Century Shaanxi Enterprise Capital Restructuring News Figure; as vice president of the China Beverage Industry Association (中國飲料工業協會果蔬汁分會) in 2001, as the vice president of the third Council meeting of the Xianyang Township Enterpreneurs Association (咸陽鄉鎮企業協會) in 2002, was awarded the honourary certificate for being one of the Ten Outstanding Enterpreneurs in the Development of Western China by the Election Committee of Outstanding Entrepreneurs of Western China Development (西部開發優秀創業者評審委員會) and Western China Forum Organisation Committee (西部論壇組織委員會) in 2002 and also the Deputy to the 10th National People's Congress of Shaanxi Province, the People's Republic of China (the "PRC") (陝西省第十屆人大代表).

Mr. Ding Li (丁力), aged 47, joined the Group in 1995. Mr. Ding was the deputy manager of Shaanxi Haisheng and was responsible for the management of the manufacturing and sales of the Group. He has 18 years of experience in the manufacturing and sales of fruit juice concentrate business. During the period between 2002 and 2011, Mr. Ding was the general manager of 陝西海升果業發展股份有限公司乾縣分公司 (transliterated as Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. Qianxian Branch) and 青島海升果業有限責任公司 (transliterated as Qingdao Haisheng Fresh Juice Co., Ltd.), respectively.

With effect from 14 November 2019, Mr. Ding resigned as an executive Director of the Company in order to devote more time on his personal commitments.

Mr. Zhao Chongjun (趙崇軍), aged 44, an executive Director who joined the Group since 2001. He was responsible for the strategic and financial work of the Group. Mr. Zhao was the general managers of Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd.* (安徽碭山海升果業有限公司) and Dalian Haisheng Fresh Fruit Juice Co., Ltd.* (大連海升果業有限責任公司). Mr. Zhao obtained a master degree in management from Xian Jiaotung University in 2002 as well as an EMBA degree subsequently from China Europe International Business School in 2011. Mr. Zhao has been appointed as the deputy general manager of Shaanxi Haisheng since January 2010.

With effect from 27 September 2019, Mr. Zhao resigned as an executive Director of the Company in order to devote more time on his personal commitments.

Mr. Wang Linsong (王林松), aged 39, an executive Director who joined the Group since 2007. He is now the Group's chief officer of human resources, the general manager of the agriculture facilities department, agricultural tourism department and vegetable business department. Mr. Wang is responsible for the human resources and new business development of the Group. Mr. Wang obtained a master degree in Food Science at the North West A&F University in the PRC in 2007.

New Executive Directors to the Board

On 27 September 2019, the Board announced the appointment of Mr. Wang Yasen as an executive Director of the Company with effect from 27 September 2019.

Mr. Wang Yasen (王亞森), aged 50, an executive Director who joined the Group since 1996. He has served as the chairman and general manager of Qixia Haisheng Fresh Fruit Juice Co., Ltd., Shaanxi Haisheng Fresh Fruit Juice Co., Ltd. (Yuncheng Branch) and Yitian Juice (Shaanxi) Co., Ltd. In 2016, he was transferred as the general manager of Operation Division of Fresh Fruits of the Group, and subsequently transferred as the General Manager of Berry Division of the Group, and was also in charge of the Group's Engineering Department. On 23 January 2019, he was appointed by the Group as the chairman of Xinjiang Aral Haisheng Fruit Industry Company Limited* (新疆阿拉爾海升果業有限責任公司), and was appointed by the Group as the legal representative of Shaanxi Chaoyue Agriculture Company Limited* (陝西超越

* *For identification purpose only*

Directors and Senior Management

農業有限公司) on 15 March 2019. He graduated from Shaanxi University of Science and Technology (formerly known as Northwest Institute of Light Industry) majoring in light industry technology and engineering in 1995. Subsequently, he studied at the President Training Course of Tsinghua University in 2008.

On 14 November 2019, the Board announced the appointment of Mr. Wang Junqing as an executive Director of the Company with effect from 14 November 2019.

Mr. Wang Junqing (王俊清), aged 43, an executive Director who joined the Group since 1996. He has served as the chairman of the board of directors of Luoning Haisheng Modern Agriculture Co., Ltd. (洛寧海升現代農業有限公司), Lingbao Branch and Dalian Haisheng Fresh Fruit Juice Co., Ltd. (大連海升果業有限責任公司). He is also the chairman of Dangshan Company. In 2016, he was transferred to the headquarters of the Group. He served as the general manager of the temperate fruits business department and the general manager of the tropical fruits business department. He is now the general manager of the vegetables business department. He graduated from food science and engineering profession from Shaanxi University of Science & Technology in 2011.

Independent Non-executive Directors

Mr. Zhao Boxiang (趙伯祥), aged 75, was appointed as an independent non-executive Director in September 2005. He is also the chairman of remuneration committee and members of audit committee and nomination committee of the Company. He is a Guest Professor of China Northwest University (西北大學), the chairman of Shaanxi Society of Economic Reform (陝西省體改研究會) and the president of Shaanxi Independent Director Association (陝西獨立董事協會). Mr. Zhao has previously worked as inspector of State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) and the director of Shaanxi Commission for Restructuring Economy (陝西體制改革委員會) early or late from 1986 to 2005. He graduated with a bachelor's degree majored in political education from Shaanxi Normal University (陝西師範大學) in 1969. Mr. Zhao made remarkable contributions in the reformation of state-owned enterprise and private enterprise, and the listing of the Company. He has wrote many thesis on subjects such as reformation of economic system and regulation of State-owned assets, as well as construction and development of capital market, with some of them were award winners or published in major periodicals. Mr. Zhao is an independent non-executive director of Shaanxi Northwest New Technology Industry Company Limited (stock code: 8258), which is a company listed on the GEM of The Stock Exchange of Hong Kong Limited.

Mr. Chang Xiaobo (常曉波), aged 50, studied accountancy and graduated from the Shaanxi Finance and Economic College in the PRC in 1993. Mr. Chang is a Chinese certified public accountant and is currently a partner and the general manager of Shinewing Certified Public Accountants Shaanxi Branch. Mr. Chang has more than 28 years of extensive experience in auditing, accounting and financial management. Prior to joining Shinewing Certified Public Accountants Shaanxi Branch in 2012, Mr. Chang worked for Shaanxi Branch of Ruihua Certified Public Accountants* (中瑞岳華會計師事務所) from 2008 to 2011, Shaanxi Branch of Yuehua Certified Public Accountants* (岳華會計師事務所陝西分所) from 1997 to 2007 and China Tenth Metallurgy Group Limited Corporation* (中國第十冶金建設公司) from 1989 to 1996. Mr. Chang is also an executive council member of the Shaanxi Province Association of Chief Financial Officer since 2015. Mr. Chang serves as an independent director of each of Xian International Medical Investment Company Limited (西安國際醫學投資股份有限公司), the shares of which is listed in the A-share main board of the Shenzhen Stock Exchange with stock code 000516, Xian Tian He Defense Technology Co., Ltd. (西安天和防務技術股份有限公司), the shares of which is listed in the ChiNext board of Shenzhen Stock Exchange with stock code 300397, Aerospace Communications Holdings Co., Ltd. (航天通信控股集團股份有限公司), the shares of which is listed in the A-share main board of Shanghai Stock Exchange with stock code 600677, and Henan Rebecca Hair Products Co., Ltd. (河南瑞貝卡髮製品股份有限公司), the shares of which is listed in the A-share main board of Shanghai Stock Exchange with stock code 600439. From 2012 to 2017, Mr. Chang served as an independent director of Bode Energy Equipment Co., Ltd. (西安寶德自動化股份有限公司), the shares of which is listed in the ChiNext board of Shenzhen Stock Exchange with stock code 300023. From 2014 to 2017, Mr. Chang served as an independent director of Henan Senyuan Electric Co., Ltd. (河南森源電氣股份有限公司), the shares of which is listed in the A-shares SME board of Shenzhen Stock Exchange with stock code 002358.

With effect from 3 December 2019, Mr. Chang resigned as an independent non-executive Director of the Company in order to devote more time on his personal commitments.

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Mr. Liu Zhongli (劉忠立), aged 60, was appointed as an independent non-executive Director and members of audit committee, nomination committee and remuneration committee on 6 July 2017. Mr. Liu obtained a bachelor degree in economics with major in industrial economic management from the University of Shaanxi Finance and Economics in 1982. Mr. Liu has extensive knowledge in economic management and worked for Xian Institute of Statistics for 17 years from 1982 to 1999 for various positions including professor and head of Institute of Applied Statistic and Computing Research. Mr. Liu has also worked for China Securities Regulatory Commission Shaanxi Division from 1999 to 2016. Mr. Liu has 17 years of experiences in regulatory and listing of securities, corporate governance, takeover and reorganisation, securities investment and capital management.

New Independent Non-executive Director to the Board

On 3 December 2019, the Board announced the appointment of Ms. Huang Liqiong as an independent non-executive Director of the Company with effect from 3 December 2019.

Ms. Huang Liqiong (黃麗瓊), aged 49, graduated from Shaanxi Finance College* (陝西財經學院) majored in accountancy. Ms. Huang is a member of the Chinese Institute of Certified Public Accountants. She served as the project manager, department manager and deputy chief accountant of Shaanxi Branch of Yuehua Certified Public Accountants* (岳華會計師事務所陝西分所), and the deputy chief accountant of Shaanxi Branch of Ruihua Certified Public Accountants* (中瑞岳華會計師事務所陝西分所). Ms. Huang has been a partner in Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) and the head of Shaanxi Branch Office of Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) since July 2013. Ms. Huang has 22 years of audit experience in major accounting firm and has extensive financial accounting and audit professional knowledge and experience in organising and management of sizable audit projects. She is familiar with the capital market rules in the PRC and was responsible for the annual audit of various listed companies and projects such as various initial public offering and material assets reorganisation. Ms. Huang serves as an independent non-executive director of Ginwa Enterprise (Group) Inc.* (金花企業(集團)股份有限公司), a listed company on the Shanghai Stock Exchange (stock code: 600080) since June 2014, and she attended the Qualification Training Course of Independent Directors held by the Shanghai Stock Exchange in November 2014 and obtained the training completion certificate.

Senior Management

Mr. Terence Sin Yuen Ko (單阮高), aged 48, is the company secretary of the Group. Mr. Sin is a member of Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants. He had worked with several Hong Kong accounting firms and PricewaterhouseCoopers prior to joining the Group in January 2005. Mr. Sin received a bachelor degree of business administration from Hong Kong Lingnan University in 1999.

* *For identification purpose only*

Corporate Governance Report

INTRODUCTION

China Haisheng Juice Holdings Co., Ltd. (the "Company") is committed to adhere to the regulatory standards of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), improving the corporate governance structure and performing the obligations as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year under review. The daily activities were carried out fully pursuant to the established governance policies. The Company has complied, saved for the deviations discussed below, with the principles and provisions as set out in the code provisions contained in the CG Code by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company (the "Shareholders") during the year under review.

Code Provision A.2.1 providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals. At present, the Company does not have a competent candidate for the position of chief executive officer. Mr. Gao Liang, therefore, acts as the chairman and chief executive officer of the Company. The Company is recruiting for the competent and suitable person to take the position of chief executive officer. Code Provision A.6.7 (the "Second Deviation") providing for the independent non-executive directors ("INED(s)") of the Company to, inter alia, attend general meetings. Code Provision E.1.2 (the "Third Deviation") providing for the chairman of the board (the "Chairman") to attend the annual general meeting of the Company (the "AGM") and to invite the chairman of audit, remuneration and nomination committees to attend. Regarding the Second Deviation and the Third Deviation, the Chairman and two INEDs, namely Mr. Zhao Boxiang (chairman of remuneration committee) and Mr. Chang Xiaobo, were absent from the last AGM held on 28 May 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

The board (the "Board") of directors (the "Directors") has adopted the Model Code for Securities Transactions by directors of Listed Issuers set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings throughout the year ended 31 December 2019.

BOARD OF DIRECTORS AND BOARD MEETING

The Board comprises seven Directors, including four executive Directors and three INEDs. Details of the backgrounds and qualifications of the Directors are set out in the section headed "Directors and Senior Management" in this annual report. All Directors give sufficient time and attention to the Company and its subsidiaries' affair.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

The Board held nine board meetings during the year under review. At the meetings, the Directors discussed and formulated overall strategies for the Group, monitored financial performance and discussed the annual and interim results, as well as other significant matters. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Board Meetings eligible to attend	Attendance/Number of General Meetings eligible to attend
Executive Directors		
Mr. Gao Liang *(Chairman)*	9/9	0/2
Mr. Ding Li *(resigned on 14 November 2019)*	5/5	0/2
Mr. Zhao Chongjun *(resigned on 27 September 2019)*	3/3	0/2
Mr. Wang Linsong	9/9	0/2
Mr. Wang Yasen *(appointed on 27 September 2019)*	6/6	0/2
Mr. Wang Junqing *(appointed on 14 November 2019)*	3/3	0/2
Independent non-executive Directors		
Mr. Zhao Boxiang	9/9	0/2
Mr. Liu Zhongli	9/9	2/2
Mr. Chang Xiaobo *(resigned on 3 December 2019)*	6/6	0/2
Ms. Huang Liqiong *(appointed on 3 December 2019)*	2/2	0/2

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

The corporate governance functions of the Company are performed by the Board. In 2019, the Board reviewed the Company's policies and practices on corporate governance and on compliance with legal and regulatory requirements, reviewed and monitored the training and continuous professional development of Directors and senior management, reviewed and monitored the code of conduct applicable to employees and directors as well as reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Under the Company's articles of association (the"Articles of Association"), at each AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director (including those appointed for a specific team) shall be subject to retirement by rotation at least once every three years at the general meeting. There are no provisions relating to retirement of Directors upon reaching any age limit.

Under the Articles of Association, the Directors, including the non-executive Directors, are subject to retirement by rotation and re-election at AGM. The term of the appointment of each of the INEDs is three years.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three INEDs, representing at least one-third of the Board. The Board considers that all INEDs have appropriate and sufficient industry or accounting experience and qualifications to carry out their duties so as to protect the interests of the Shareholders.

The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and hence the Company still considers the INEDs to be independent.

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by attending seminars or trainings or studying relevant materials on the topics related to corporate governance and regulations. The Directors confirmed that they have complied with Code Provision A.6.5.

REMUNERATION COMMITTEE

The remuneration committee was established in October 2005 with written terms of reference in compliance with the CG Code. During the year under review, the remuneration committee comprised of four members, namely Mr. Zhao Boxiang, Mr. Liu Zhongli, Mr. Chang Xiaobo (resigned on 3 December 2019) and Ms. Huang Liqiong (appointed on 3 December 2019). All of them were INEDs. The chairman of remuneration committee is Mr. Zhao Boxiang.

The role and function of the remuneration committee included the determination of, with delegated responsibility, the remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

The remuneration committee held two meetings during the year under review to review the terms of employment of the executive Directors, the remuneration of staff and the terms of appointment of the INEDs. Details of the attendance of the remuneration committee meetings are as follows:

Corporate Governance Report

Directors	Attendance/Number of Remuneration Committee Meetings eligible to attend
Independent non-executive Directors	
Mr. Zhao Boxiang *(Chairman)*	2/2
Mr. Liu Zhongli	2/2
Mr. Chang Xiaobo *(resigned on 3 December 2019)*	2/2
Ms. Huang Liqiong *(appointed on 3 December 2019)*	0/0

The remuneration committee of the Company considers that the existing terms of employment of the executive Directors and appointment terms of the INEDs are fair and reasonable.

NOMINATION COMMITTEE

The Company established a nomination committee on 29 March 2012 with written terms of reference in compliance with the CG Code. During the year under review, the nomination committee comprised five members, namely Mr. Gao Liang, Mr. Zhao Boxiang, Mr. Liu Zhongli, Mr. Chang Xiaobo (resigned on 3 December 2019) and Ms. Huang Liqiong (appointed on 3 December 2019). One of them is an executive Director and the Chairman of the Board and the other four are INEDs. The chairman of the nomination committee is Mr. Gao Liang.

The role and function of the nomination committee included the review of structure, size and composition of the Board, making recommendations on any proposed changes to the Board, and to consider the past performance and qualifications of Directors, general market conditions and the Articles of Association in selecting and recommending candidates for directorship.

The nomination committee held five meetings during the year under review to review the annual confirmation of independence submitted by the INEDs and assessing their independence; review the structure, size and composition of the Board, making recommendations on the change of Board members and reviewing the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy. Details of the attendance of the nomination committee meetings are as follows:

Directors	Attendance/Number of Nomination Committee Meetings eligible to attend
Executive Director	
Mr. Gao Liang *(Chairman)*	5/5
Independent non-executive Directors	
Mr. Zhao Boxiang	5/5
Mr. Liu Zhongli	5/5
Mr. Chang Xiaobo *(resigned on 3 December 2019)*	4/4
Ms. Huang Liqiong *(appointed on 3 December 2019)*	0/0

DIRECTOR NOMINATION POLICY

The director nomination policy of the Company provides guidance in relation to the proposal for the appointment or re-appointment of Directors or to fill casual vacancies and sets out the processes and criteria for the nomination of a candidate for directorship in the Company. The policy contains several factors to which the nomination committee of the Company has to adhere when considering nominations. These factors include the candidate's skills and experience, diversity perspectives set out in the board diversity policy of the Company, the candidate's time commitment and integrity, and the independence criteria under Rule 3.13 of the Listing Rules if the candidate is proposed to be appointed as an INED.

BOARD DIVERSITY POLICY

The board diversity policy of the Company sets out the approach to achieve diversity of the Board. It provides that selection of candidates during nomination process will be based on a range of diversity perspectives. These perspectives include but not be limited to gender, age, cultural and educational background, professional experience, skills, and knowledge.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the CG Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprised of four members, namely Mr. Chang Xiaobo (resigned on 3 December 2019), Ms. Huang Liqiong (appointed on 3 December 2019), Mr. Zhao Boxiang and Mr. Liu Zhongli. All of them were INEDs. The chairpersons of the audit committee during 2019 are Mr. Chang Xiaobo (resigned on 3 December 2019) and Ms. Huang Liqiong (appointed on 3 December 2019).

The audit committee held two meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:

Directors	**Attendance/Number of Audit Committee Meetings eligible to attend**
Independent non-executive Directors	
Mr. Chang Xiaobo *(Chairman) (resigned on 3 December 2019)*	2/2
Ms. Huang Liqiong *(Chairwoman) (appointed on 3 December 2019)*	0/0
Mr. Zhao Boxiang	2/2
Mr. Liu Zhongli	2/2

The following is a summary of the work performed by the audit committee in 2019:

– Review of the report from the external auditor on the audit of the final results of the Group for the year ended 31 December 2018;

– Review of the draft financial statements of the Group for the year ended 31 December 2018;

– Review of the draft results announcement and annual report of the Group for the year ended 31 December 2018;

– Review of the external auditor's independence and transmission of a recommendation to the Board for the re-appointment of the external auditor at the forthcoming AGM;

– Review of the draft results announcement and interim report of the Group for the period ended 30 June 2019;

– Debriefed the internal control work on a periodic basis to urge improvement; and

– Debriefed and discussed with the senior management and the external auditor on the progress of the audit work performed by the external auditor.

The Group's audited annual results for the year ended 31 December 2018 and the unaudited interim results for the six months ended 30 June 2019 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees paid or payable in respect of audit and non-audit services provided by the Group's external auditor, RSM Hong Kong amounted to approximately RMB2,400,000 and RMB25,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The responsibilities of the Directors for the accounts and the responsibilities of the external auditor to the Shareholders are set out on pages 36 and 37.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control and risk management systems (the "Systems") over the Group's assets and Shareholders' interests, as well as for reviewing the Systems' effectiveness. The Systems are designed to provide reasonable, but not absolute, assurance against misstatement or loss, and to manage risks of failure in the Group's operational systems. The Systems include a well-established organisational structure with clearly defined lines of responsibility and authority, which is designed to safeguard assets from inappropriate use, maintain proper accounts and ensure compliance with regulations.

The Board, together with the audit committee and internal audit functions, regularly assess the effectiveness of the Systems, and ensures that the management comes out its duty by establishing and maintaining effective and adequate Systems.

For the year ended 31 December 2019, the Board's audit committee and the Group's internal audit team, with the assistance of the management, conducted a review of the Systems and assessed the effectiveness of the Systems by taking into account the reviews by its auditor. Based on the above review, the Board considers that the Systems are generally appropriate.

COMPANY SECRETARY

As at 31 December 2019, the company secretary of the Company, Mr. Terence Sin Yuen Ko, fulfilled the requirement under Rules 3.28 and 3.29 of the Listing Rules. As an employee of the Company, the company secretary supports the Board, ensures good information flow within the Board and Board policy and procedures are followed; advises the Board on governance matters, facilitates induction and monitors the training and continuous professional development of Directors. He has attained not less than 15 hours of relevant professional training during the period under review. His biography is set out in the "Directors and Senior Management" section of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company places high priority in establishing effective communications with its Shareholders and investors. To promote and enhance investor relations and communications, the Company has established and maintained communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conference.

The Company provides information relating to the Company and its business in its annual report and also disseminates such information electronically through its website at www.chinahaisheng.com.

The Company regards the AGM as an important event as it provides an opportunity for direct communications between the Board and its Shareholders. All Directors, senior management and external auditor make an effort to attend the AGM of the Company to address Shareholders' queries. All the Shareholders of the Company are given a minimum of 20 clear business days' notice of the date and venue of the AGM of the Company. The Company supports the CG Code's principle to encourage Shareholders' participation.

A Shareholders' communication policy (the "Policy") was adopted by the Company in March 2012 to maintain an on-going dialogue with Shareholders and encourage them to communicate actively with the Company and also establishing the Policy and reviewing the Policy on a regular basis to ensure its effectiveness.

SHAREHOLDERS' RIGHT

Right to convene extraordinary general meeting

In accordance with Article 58 of the Articles of Association, the Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board shall be reimbursed to the requisitionists by the Company.

Right to put forward proposals at general meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law, Chapter 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. However, pursuant to the Articles of Association, Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedure set out above.

Right to put enquiries to the Board

Shareholders may at any time send their written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong at Room B, 3/F., Eton Building, 288 Des Voeux Road Central, Central, Hong Kong, for the attention of the Board.

INVESTOR RELATIONS

There was no significant change in the Company's constitutional documents during the year under review.

DIVIDEND POLICY

The dividend policy of the Company sets out the guidelines and factors to be considered by the Board to determine whether to pay a dividend and the level of such dividend to be paid. The factors include but not limited to the financial performance of the Group, economic conditions, liquidity position and capital requirements of the Group.

Directors' Report

The directors (the "Directors") of China Haisheng Juice Holdings Co., Ltd. (the "Company") are pleased to present the annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are (i) manufacture and sale of fruit juice concentrate and other related products, and (ii) plantation and sale of apple saplings, apples and other fruits and production and sale of feed. The activities of its principal subsidiaries are set out in note 42(a) to the consolidated financial statements.

BUSINESS REVIEW

Details of a fair review of the Company's and its subsidiaries (collectively the "Group") business, key financial performance indicators and possible future developments of the Group during the year under review are provided in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. Details of corporate governance are set out in the section headed "Corporate Governance Report" in this annual report. A discussion on the Group's environmental policies and performance, the key relationships with its employees, customers and suppliers and others that have a significant impact on the Group are provided in the section headed "Environmental, Social and Governance Report". These sections form part of this Directors' Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38 of this annual report. The board of Directors (the "Board") does not recommend any payment of a final dividend for the year ended 31 December 2019.

PROPERTY, PLANT AND EQUIPMENT

During the year under review, the Group incurred capital expenditure of RMB1,215.3 million in the acquisition of property, plant and equipment which mainly comprised buildings and cultivation equipment and facilities. Details of movements in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the year ended 31 December 2019 and the past four financial years is set out on page 3 of this annual report. This summary does not form a part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year under review are set out in note 33 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in reserves of the Group during the year under review are set out in the consolidated statement of changes in equity on page 41.

The Company's reserves available for distribution represent the share premium, contributed surplus and retained profits which in aggregate amounted to approximately RMB676.8 million as at 31 December 2019. Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its memorandum and articles of association and provided that immediately following the distribution or dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's articles of association (the "Articles of Association"), dividends shall be distributed out of the retained profits or other reserves, including the share premium account, of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the year under review were:

Executive Directors:
Mr. Gao Liang *(Chairman)*
Mr. Wang Junqing *(appointed on 14 November 2019)*
Mr. Wang Yasen *(appointed on 27 September 2019)*
Mr. Wang Linsong
Mr. Ding Li *(resigned on 14 November 2019)*
Mr. Zhao Chongjun *(resigned on 27 September 2019)*

Independent non-executive Directors:
Ms. Huang Liqiong *(appointed on 3 December 2019)*
Mr. Zhao Boxiang
Mr. Liu Zhongli
Mr. Chang Xiaobo *(resigned on 3 December 2019)*

Pursuant to Article 87(1) of the Articles of Association, Mr. Gao Liang, Mr. Wang Linsong and Mr. Zhao Boxiang will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. Pursuant to Article 86(3) of the Articles of Association, Mr. Wang Yasen (appointed on 27 September 2019), Mr. Wang Junqing (appointed on 14 November 2019) and Ms. Huang Liqiong (appointed on 3 December 2019) will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. The INEDs are subject to retirement by rotation in the same manner as the executive Directors. The biographical details of the Directors are set out on pages 17 to 19 of this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Gao Liang entered into the first service agreement with the Company for a term of three years on 19 October 2005 and the service agreement has been renewed for several times. The existing contract is for a term of three years (subject to the termination provisions of the service contract) commencing from 19 October 2017. Mr. Wang Yasen and Mr. Wang Junqing have entered into service agreements with the Company for a term of three years, which commenced from 27 September 2019 and 14 November 2019, respectively. Mr. Wang Linsong has entered into a service agreement with the Company for a term of three years commenced from 10 August 2016 and renewed the service agreement with the Company for a term of three years (which shall be subject to the termination provisions under the service agreement), which commenced from 10 August 2019.

Mr. Zhao Boxiang has entered into the first letter of appointment with the Company for a term of three years on 19 October 2005 and the letter of appointment has been renewed several times. The existing letter of appointment is for a term of three years commencing on 19 October 2017. Mr. Liu Zhongli have entered into a letter of appointment with the Company for an initial term of three years commencing from 6 July 2017. Ms. Huang Liqiong has entered into a letter of appointment with the Company for an initial term of three years commencing from 3 December 2019.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE GROUP'S BUSINESS

No transactions, arrangements and contracts of significance to which the Company's subsidiaries was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year under review was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its specified undertakings or other associated corporation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year under review.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain in or about the execution of their duty in their offices or otherwise in relation thereto. Such permitted indemnity provision has been in force throughout the year ended 31 December 2019. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company for the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company subsisted at the end of the year or at any time during the year under review.

SHARE OPTION SCHEME

For the year ended 31 December 2019, the Company had not implemented any share option scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding (Note 3)
Mr. Gao Liang	The Company	Beneficial owner	8,600,000 shares	0.67%
		Interest of controlled corporation	459,061,238 shares (Note 1)	35.59%
		Interest of spouse	4,724,660 shares (Note 2)	0.37%
			472,385,898 shares	36.63%

Notes:

1. As at 31 December 2019, the 459,061,238 shares were held by Think Honour International Limited ("Think Honour"), the entire issued share capital of which was held by Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 459,061,238 shares held by Think Honour by virtue of the SFO.

2. As at 31 December 2019, the 4,724,660 shares were held by Ms. Xie Haiyan who is the spouse of Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 4,724,660 shares held by Ms. Xie Haiyan.

3. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2019 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company, its specified undertakings and its associated corporations required to be disclosed pursuant to section 352 of the SFO and the Hong Kong Companies Ordinance (Cap. 622), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as known to the Directors and chief executive of the Company, the following persons or parties (other than Directors or chief executive of the Company), had interests or short positions in the shares and underlying shares of the Company which were required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long position

Name	Name of the company	Capacity	Number and class of securities directly or indirectly held	Approximate percentage of shareholding (Note 4)
Ms. Xie Haiyan	The Company	Interest of spouse	467,661,238 shares (Note 1)	36.26%
		Beneficial owner	4,724,660 shares	0.37%
			472,385,898 shares	36.63%
Think Honour	The Company	Beneficial owner	459,061,238 shares (Note 2)	35.59%
Tiandi Yihao Beverage Co., Ltd.	The Company	Interest of controlled corporation	227,996,000 shares (Note 3)	17.68%
Shenzhen Tiandi Win-Win Investment Management Co., Limited	The Company	Interest of controlled corporation	227,996,000 shares (Note 3)	17.68%
Tiandi Win-Win Investment Management Co., Limited	The Company	Beneficial owner	227,996,000 shares (Note 3)	17.68%

Notes:

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

2. The entire issued share capital of Think Honour was held by Mr. Gao Liang.

3. Tiandi Win-Win Investment Management Co., Limited is a wholly-owned subsidiary of Shenzhen Tiandi Win-Win Investment Management Co., Limited which is a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Ltd. Pursuant to the SFO, Shenzhen Tiandi Win-Win Investment Management Co., Limited and Tiandi Yihao Beverage Co., Ltd. are deemed to be interested in the 227,996,000 shares held by Tiandi Win-Win Investment Management Co., Limited.

4. The percentage was compiled based on the total number of issued shares of the Company as at 31 December 2019 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 31 December 2019, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Group had the following continuing connected transactions.

A non-wholly owned subsidiary of the Company, namely 陝西海升果業發展股份有限公司 (transliterated as Shaanxi Haisheng Fruit Juice Co., Ltd.*), ("Shaanxi Haisheng") and Tiandi Yihao Beverage Co., Ltd. ("Tiandi Yihao Beverage") had entered into a framework agreement on 12 January 2016 (the "2016 Framework Agreement"). At the material time, Tiandi Yihao Beverage was an independent third party and not a connected person of the Company pursuant to the Listing Rules.

On 30 March 2016, Tiandi Win-Win Investment Management Co., Limited ("Hong Kong Tiandi"), an indirect wholly-owned subsidiary of Tiandi Yihao Beverage, became interested in 18.06% of the issued share capital of the Company. As such, Tiandi Yihao Beverage became a connected person of the Company since 30 March 2016. The sale of juice concentrate pursuant to the 2016 Framework Agreement thereafter constituted continuing connected transactions. Further details of the above transaction was disclosed in the Company's announcement dated 6 April 2017.

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

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

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

The actual transaction amount during the year ended 31 December 2019 was approximately RMB39,779,000 which is within the annual cap stated above.

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

The INEDs have reviewed the above continuing connected transactions and confirmed that these continuing connected transactions have been entered into:

(1) in the ordinary course and usual course of business of the Group;

(2) on normal commercial terms or terms no less favourable to the Group than terms available to or from independent third parties; and

(3) in accordance with the relevant agreement governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

* *For identification purpose only*

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2019, the Group also entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards as set out in note 40 to the consolidated financial statements. All the related parties transactions described in this note do not fall under the definition of "connected transaction" or "continuing connected transaction" under the Listing Rules.

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 2019.

STAFF AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 3,199 (2018: 3,456) 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.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures have been enhanced to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. The Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, the Group has complied in material respects with the relevant laws and regulations which have a significant impact on the business and operations of the Company during the year ended 31 December 2019.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers in aggregate accounted for approximately 23.3% of the Group's total revenue and the largest customer accounted for approximately 6.1% of the Group's total revenue for the year 2019. The five largest suppliers in aggregate accounted for approximately 9.8% of the Group's total purchases and the largest supplier accounted for approximately 3.3% of the Group's total purchases for the year 2019.

None of the Directors, their close associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or the Group's five largest customers.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2019 are set out in note 29 to the consolidated financial statements.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CHARITABLE DONATIONS

The Group had no charitable donations during the year ended 31 December 2019.

AUDIT COMMITTEE

The Company's audit committee comprised four independent non-executive Directors, namely Mr. Chang Xiaobo (Chairman) (resigned on 3 December 2019), Ms. Huang Liqiong (chairwoman)(appointed on 3 December 2019), Mr. Zhao Boxiang and Mr. Liu Zhongli, with written terms of reference in compliance with the Corporate Governance Code contained in Appendix 14 of the Listing Rules. The audit committee has reviewed and discussed the audited final results for the year ended 31 December 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 22 June 2020. The notice of the annual general meeting will be published and despatched to the shareholders of the Company together with this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 43 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by RSM Hong Kong.

At the Company's last annual general meeting, RSM Hong Kong was re-appointed as auditor of the Company.

RSM Hong Kong retires and, being eligible, offers itself for re-appointment. A resolution will be proposed at the forthcoming annual general meeting to re-appoint RSM Hong Kong as auditor of the Company.

On behalf of the Board
China Haisheng Juice Holdings Co., Ltd.
Mr. Gao Liang
Chairman

X'ian, the PRC
15 May 2020

Independent Auditor's Report

RSM

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

OPINION

We have audited the consolidated financial statements of China Haisheng Juice Holdings Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 38 to 116, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB22,911,000 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB1,735,684,000. As stated in Note 2, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below as the key audit matter to be communicated in our report. The key audit matter we identified is the impairment assessment of property, plant and equipment, right-of-use assets and bearer plants.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of property, plant and equipment, right-of-use assets and bearer plants. Refer to notes 5(c), 18, 20 and 21 to the consolidated financial statements. As at 31 December 2019, included in the Group's consolidated statement of financial position were property, plant and equipment, right-of-use assets and bearer plants of approximately RMB3,655,665,000, RMB1,843,999,000 and RMB1,504,886,000 respectively. Management has performed impairment assessment on these assets by estimating the value in use of the cash-generating units ("CGUs"), namely fruit juice operation and agriculture operation, to which these assets belong. The value in use calculations required significant management judgement in respect of estimated future cash flows expected to arise from the CGUs and other economic assumptions such as discount rates. Management concluded that the recoverable amounts of these assets were higher than their carrying amounts such that no impairment provision was required.	Our procedures in relation to management's impairment assessment included: – Assessing the integrity of the value in use models; – Challenging the reasonableness of management's key assumptions based on our knowledge of the business and industry; – Checking input data to supporting evidence including approved budgets and considering the accuracy of management's past budgets; – Assessing the appropriateness of the discount rates adopted by management with the assistance of our internal valuation specialists; and – Performing sensitivity analysis to assess the impact of reasonably possible changes in key assumptions on the value in use calculations.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ms. Ng Wai Kwun.

RSM Hong Kong
Certified Public Accountants

15 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Revenue	7	**1,231,571**	1,752,807
Cost of sales		**(1,157,048)**	(1,500,567)
Gross profit		**74,523**	252,240
Other income	8	**298,916**	239,727
Other gains and losses	9	**(10,621)**	60,070
Impairment losses for trade receivables		**(3,071)**	(4,312)
Change in fair value due to biological transformation	23	**335,745**	235,988
Distribution and selling expenses		**(285,796)**	(292,622)
Administrative expenses		**(259,621)**	(253,033)
Other expenses		**(8,024)**	(3,830)
Profit from operations		**142,051**	234,228
Finance costs	11	**(155,211)**	(139,078)
Share of loss of an associate		**(296)**	(1,638)
(Loss)/profit before tax		**(13,456)**	93,512
Income tax expense	12	**(9,455)**	(15,726)
(Loss)/profit for the year	13	**(22,911)**	77,786
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**45**	431
Other comprehensive income for the year, net of tax		**45**	431
Total comprehensive income for the year		**(22,866)**	78,217
(Loss)/profit for the year attributable to:			
Owners of the Company		**(64,591)**	79,686
Non-controlling interests		**41,680**	(1,900)
		(22,911)	77,786
Total comprehensive income for the year attributable to:			
Owners of the Company		**(64,546)**	80,117
Non-controlling interests		**41,680**	(1,900)
		(22,866)	78,217
(Loss)/earnings per share	17		
Basic (Renminbi cents per share)		**(5.01)**	6.18
Diluted (Renminbi cents per share)		**(5.01)**	6.18

Consolidated Statement of Financial Position

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**3,655,665**	3,101,839
Prepaid land lease payments	19	**–**	154,215
Right-of-use assets	20	**1,843,999**	–
Bearer plants	21	**1,504,886**	1,130,881
Investment in an associate	22	**7,453**	7,749
Biological assets	23	**69,336**	119,780
Prepayments for acquisition of bearer plants		**30,156**	6,293
Deposits for acquisition of property, plant and equipment		**30,598**	22,406
Total non-current assets		**7,142,093**	4,543,163
CURRENT ASSETS			
Prepaid land lease payments	19	**–**	18,567
Biological assets	23	**40,679**	31,842
Inventories	24	**780,393**	748,092
Trade and other receivables	25	**408,349**	432,444
Due from related companies	26	**164**	164
Pledged bank deposits	27	**144,320**	348,629
Bank and cash balances	27	**170,972**	309,033
Total current assets		**1,544,877**	1,888,771
CURRENT LIABILITIES			
Trade and other payables	28	**1,469,646**	1,089,593
Bills payables		**186,000**	409,854
Current tax liabilities		**1,221**	277
Dividend payable to non-controlling shareholders of a subsidiary		**63**	63
Bank and other borrowings	29	**1,422,631**	1,338,424
Lease liabilities	30	**185,866**	–
Finance lease payables	30	**–**	171,449
Deferred government grants	31	**15,134**	7,409
Total current liabilities		**3,280,561**	3,017,069
Net current liabilities		**(1,735,684)**	(1,128,298)
Total assets less current liabilities		**5,406,409**	3,414,865

Consolidated Statement of Financial Position

At 31 December 2019

	Note	**2019** **RMB'000**	2018 RMB'000
NON-CURRENT LIABILITIES			
Other liabilities	28	**–**	47,995
Bills payables		**–**	25,598
Bank and other borrowings	29	**2,178,795**	1,170,861
Lease liabilities	30	**986,752**	–
Finance lease payables	30	**–**	179,423
Deferred government grants	31	**213,986**	143,472
Deferred tax liabilities	32	**31,536**	26,805
Total non-current liabilities		**3,411,069**	1,594,154
NET ASSETS		**1,995,340**	1,820,711
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital	33	**13,296**	13,296
Reserves	35	**1,162,422**	1,226,968
		1,175,718	1,240,264
Non-controlling interests		**819,622**	580,447
TOTAL EQUITY		**1,995,340**	1,820,711

Approved by the Board of Directors on 15 May 2020 and are signed on its behalf by:

Gao Liang
Director

Wang Junqing
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital	Share premium (note 35(b)(i))	Share option reserve (note 35(b)(iii))	Special reserve (note 35(b)(iv))	Translation reserve (note 35(b)(v))	Statutory surplus reserve (note 35(b)(vi))	Other reserve (note 35(b)(vii))	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	13,296	212,838	4,352	258,722	(622)	196,683	(16,488)	488,304	1,157,085	353,403	1,510,488
Total comprehensive income for the year	–	–	–	–	431	–	–	79,686	80,117	(1,900)	78,217
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	182,006	182,006
Change in ownership interest in subsidiaries without loss of control	–	–	–	–	–	–	3,062	–	3,062	46,938	50,000
Lapse of share options	–	–	(4,352)	–	–	–	–	4,352	–	–	–
Appropriations from retained profits	–	–	–	–	–	23,415	–	(23,415)	–	–	–
Changes in equity for the year	–	–	(4,352)	–	431	23,415	3,062	60,623	83,179	227,044	310,223
At 31 December 2018 and 1 January 2019	13,296	212,838	–	258,722	(191)	220,098	(13,426)	548,927	1,240,264	580,447	1,820,711
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**45**	**–**	**–**	**(64,591)**	**(64,546)**	**41,680**	**(22,866)**
Capital contributions from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**201,528**	**201,528**
Dividend paid to a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,033)**	**(4,033)**
Appropriations from retained profits	**–**	**–**	**–**	**–**	**–**	**25,862**	**–**	**(25,862)**	**–**	**–**	**–**
Changes in equity for the year	**–**	**–**	**–**	**–**	**45**	**25,862**	**–**	**(90,453)**	**(64,546)**	**239,175**	**174,629**
At 31 December 2019	**13,296**	**212,838**	**–**	**258,722**	**(146)**	**245,960**	**(13,426)**	**458,474**	**1,175,718**	**819,622**	**1,995,340**

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(13,456)**	93,512
Adjustments for:			
Depreciation of property, plant and equipment	13	**45,729**	36,226
Depreciation of right-of-use assets	13	**36,201**	–
Depreciation of bearer plants	21	**4,054**	2,514
Write off of bearer plants	13	**71**	152
Write off of biological assets	23	**14,583**	11,617
Write off of property, plant and equipment	13	**668**	1,259
Write off of inventories	13	**346**	91
Change in fair value due to biological transformation	23	**(335,745)**	(235,988)
Finance costs	11	**155,211**	139,078
Interest income	8	**(1,214)**	(2,879)
Amortisation of deferred government grants	31	**(14,039)**	(4,696)
Loss on disposals of property, plant and equipment	9	**3,139**	2,387
Gain on disposals of saplings	9	**(4,036)**	(64,024)
(Reversal of allowance)/allowance for inventories	13	**(11,486)**	26,551
Impairment losses for trade receivables		**3,071**	4,312
Impairment losses for other receivables	13	**14,468**	–
Amortisation of prepaid land lease payments	13	**–**	3,429
Share of loss of an associate		**296**	1,638
Operating (loss)/profit before working capital changes		**(102,139)**	15,179
Decrease in inventories		**630,731**	380,501
Decrease/(increase) in trade and other receivables		**6,556**	(44,639)
(Increase)/decrease in biological assets		**(280,512)**	305,177
Increase in trade and other payables		**285,016**	63,539
(Decrease)/increase in bills payables		**(249,452)**	124,860
Increase in deferred government grants		**71,313**	25,285
Cash generated from operations		**361,513**	869,902
Income taxes paid		**(3,786)**	(10,841)
Interest on lease liabilities		**(9,021)**	–
Net cash generated from operating activities		**348,706**	859,061
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,102,496)**	(659,985)
Purchases of bearer plants		**(502,348)**	(275,854)
Payments for right-of-use assets		**(117,908)**	–
Purchases of prepaid land lease payments		**–**	(109,720)
Decrease/(increase) in pledged bank deposits		**204,309**	(228,461)
Interest received		**1,214**	2,879
Proceeds from disposals of property, plant and equipment		**8,498**	13,234
Proceeds from disposals of saplings		**7,900**	91,125
Net cash used in investing activities		**(1,500,831)**	(1,166,782)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank and other borrowings raised	**2,935,574**	2,131,553
Repayment of bank and other borrowings	**(1,859,691)**	(1,806,995)
Principal elements of lease payments (2018: Repayment of finance lease payables)	**(144,918)**	(145,125)
Capital contributions from non-controlling interests	**201,528**	232,006
Proceeds from finance leases, net of transaction costs	**–**	193,250
Dividend paid to a non-controlling shareholder	**(4,033)**	–
Security deposits placed	**–**	(7,500)
Finance lease charges paid	**–**	(21,123)
Interest paid on bank and other borrowings	**(116,456)**	(141,913)
Net cash generated from financing activities	**1,012,004**	434,153
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(140,121)**	126,432
Effect of foreign exchange rate changes	**2,060**	15,041
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**309,033**	167,560
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**170,972**	309,033
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**170,972**	309,033

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

China Haisheng Juice Holdings Co., Ltd. (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business in Hong Kong is Room B, 3rd Floor, Eton Building, 288 Des Voeux Road Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 42(a) to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the "Group".

The Group's principal operations are conducted in the People's Republic of China (the "PRC").

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

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

The Group incurred a net loss of approximately RMB22,911,000 during the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately RMB1,735,684,000. 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 2019 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 29.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Application of new and revised IFRSs

The IASB has issued a new IFRS, IFRS 16 Leases, and a number of amendments to IFRSs that are first effective for the current accounting period of the Group.

Except for IFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, and the related interpretations, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

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

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

IFRS 16 Leases (Continued)

(ii) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant Group entities at the date of initial application. The incremental borrowing rates applied by the relevant Group entities range from 5.45% to 17.30%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(I) elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(II) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(III) excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

(IV) relied on the assessment of whether the leases are onerous by applying IAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

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

IFRS 16 Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 38 as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	2,513,298
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(20,623)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	257,857
	2,750,532
Less: total future interest expense	(2,083,749)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2019	666,783
Add: finance lease liabilities recognised as at 31 December 2018	350,872
Lease liabilities recognised as at 1 January 2019	1,017,655
Of which are:	
Current lease liabilities	221,441
Non-current lease liabilities	796,214
	1,017,655

The right-of-use assets in relation to the leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance lease payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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

IFRS 16 Leases (Continued)

(ii) Lessee accounting and transitional impact (Continued)

The following table summaries the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption of IFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16	Note	Carrying amount as at 31 December 2018 RMB'000	Re-classification RMB'000	Recognition of leases RMB'000	**Carrying amount as at 1 January 2019 RMB'000**
Assets					
Right-of-use assets	(I)	–	992,917	618,788	**1,611,705**
Property, plant and equipment	(II)	3,101,839	(639,844)	–	**2,461,995**
Prepaid land lease payments	(III)	172,782	(172,782)	–	**–**
Bearer plants	(II)	1,130,881	(180,291)	–	**950,590**
Liabilities					
Lease liabilities	(I)	–	350,872	666,783	**1,017,655**
Finance lease payables	(IV)	350,872	(350,872)	–	**–**
Other liabilities	(I)	47,995	–	(47,995)	**–**

Notes:

(I) Upon application of IFRS 16, right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of effective rental payable relating to those leases recognised in the consolidated statement of financial position at 31 December 2018.

(II) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant assets which were still leased as at 1 January 2019 amounting to approximately RMB820,135,000 as right-of-use assets.

(III) Upfront payments for leasehold lands in the PRC were classified as prepaid land lease payments as at 31 December 2018. Upon application of IFRS the current and non-current portion of prepaid land lease payments amounting to approximately RMB18,567,000 and RMB154,215,000 respectively were classified to right-of-use assets.

(IV) The Group reclassified the finance lease payables of approximately RMB171,449,000 and RMB179,423,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

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

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

IFRS 16 Leases (Continued)

(iii) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This does not result in a significant impact on the reported profit from operations in the Group's consolidated statement of profit or loss and other comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 36(a)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 36(b)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	2019				2018
	Amounts reported under IFRS 16 RMB'000	**Add back: IFRS 16 depreciation and interest expense RMB'000**	**Deduct: Estimated amounts related to operating leases as if under IAS 17 (note I) RMB'000**	**Hypothetical amounts for 2019 as if under IAS 17 RMB'000**	Compared to amounts reported for 2018 under IAS 17 RMB'000
Financial results for year ended 31 December 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**142,051**	**587**	**(738)**	**141,900**	234,228
Finance costs	**(155,211)**	**144**	**–**	**(155,067)**	(139,978)
(Loss)/profit before tax	**(13,456)**	**731**	**(738)**	**(13,463)**	93,512
(Loss)/profit for the year	**(22,911)**	**731**	**(738)**	**(22,918)**	77,786

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

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

IFRS 16 Leases (Continued)

(iii) Impact of the financial results and cash flows of the Group (Continued)

	2019			2018
	Amounts reported under IFRS 16 RMB'000	Estimated amounts related to operating leases as if under IAS 17 (notes I & II) RMB'000	Hypothetical amounts for 2019 as if under IAS 17 RMB'000	Compared to amounts reported for 2018 under IAS 17 RMB'000
Line items in the consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	**361,513**	**(738)**	**360,775**	869,902
Interest element of lease rentals paid	**(9,021)**	**144**	**(8,877)**	–
Net cash generated from operating activities	**348,706**	**(594)**	**348,112**	859,061
Purchases of bearer plants	**(502,348)**	**(15,994)**	**(518,342)**	(275,854)
Net cash used in investing activities	**(1,500,831)**	**(15,994)**	**(1,516,825)**	(1,166,782)
Capital element of lease rentals paid (2018: Repayment of finance lease payables)	**(144,918)**	**16,588**	**(128,330)**	(145,125)
Net cash generated from financing activities	**1,012,004**	**16,588**	**1,028,592**	434,153

Notes:

(I) The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

(II) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if IAS 17 still applied.

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

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. 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 IAS 1 and IAS 8 Definition of Material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments 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. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

(a) Consolidation

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

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

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the NCI having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

(d) Property, plant and equipment

Property, plant and equipment, including buildings, held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives/annual rates are as follows:

Buildings	Over the shorter of the term of the lease, and 20-40 years
Machinery	3.33%-16.66%
Cultivation equipment and facilities	3.2%-20%
Motor vehicles	10%-20%
Office equipment	10%-20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Bearer plants

Bearer plants consist of mature trees and infant trees in the Group's plantations in the PRC. The role of the mature trees is to supply fruits through the processes of growth in each production cycle. The infant trees are held for transforming into mature trees.

Expenditure that are attributable to the biological growth of infant trees, such as deprecation charge and cost of fertilisers and pesticides are recognised as additions to bearer plants until the stage such infant trees start bearing fruits.

Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of mature trees and depreciation commences. Mature trees are depreciated using straight-line method over their expected useful lives as follows:

Apple	25 years
Rootstock	10 years
Mulberry	20 years
Blueberry and Cherry	17 years
Kiwi	20 years
Tangerine	25 years
Pear	25 years
Pomegranate	20 years
Others	20 years

Bearer plants are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal of the bearer plants is determined as the difference between the sales proceeds and carrying amount of the bearer plants and is recognised in profit and loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

Policy applicable from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Leases (Continued)

The Group as a lessee (Continued)

Policy prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(g) Biological assets

Biological assets comprise fresh fruit bunches and apple saplings before harvest in leased farms and are classified as current assets if they could be harvested within one year.

Biological assets are stated at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss and other comprehensive income.

The infant trees and mature trees are presented and accounted for as bearer plants, see note 4(e). However, the fresh fruit bunches growing on the trees and apple saplings growing on leased farms are accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches and apple saplings are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits and apple saplings prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract assets and contract liabilities

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

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

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

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

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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

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

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial assets

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

Debt investments held by the Group are classified into the amortised cost measurement category, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

(l) Trade and other receivables

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

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

(m) Cash and cash equivalents

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

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial guarantee contracts

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

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

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

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

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

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

(s) Revenue and other income

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group participates in a defined contribution retirement scheme organised by relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at 16% of the local standard basic salaries.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

Government grants relating to the free use of land and buildings for a specific period of time are assessed at the fair value of that right and accounted for both grant and right-of-use assets at that fair value. The grant is recognised in profit or loss on a straight-line basis over the useful lives of the right-of-use assets.

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated pro rata amongst the assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

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

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

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

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

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

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

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

Definition of default

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Impairment of financial assets (Continued)

Credit-impaired financial assets

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

– significant financial difficulty of the issuer or the counterparty;

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

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

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

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

Write-off policy

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

Measurement and recognition of ECL

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

Going concern basis

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

Key sources of estimation uncertainty

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(a) Property, plant and equipment and depreciation

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

The carrying amount of property, plant and equipment as at 31 December 2019 was approximately RMB3,655,665,000 (2018: RMB3,101,839,000).

(b) Bearer plants and depreciation

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

The carrying amount of bearer plants as at 31 December 2019 was approximately RMB1,504,886,000 (2018: RMB1,130,881,000).

(c) Impairment of property, plant and equipment, right-of-use assets and bearer plants

Property, plant and equipment, right-of-use assets and bearer plants are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amount of property, plant and equipment, right-of-use assets and bearer plants as at 31 December 2019 were approximately RMB3,655,665,000 (2018: RMB3,101,839,000), RMB1,843,999,000 (2018: RMBNil) and RMB1,504,886,000 (2018: RMB1,130,881,000) respectively.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately RMB9,455,000 (2018: RMB15,726,000) was charged to profit or loss based on the estimated profit.

(e) Impairment of trade receivables

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

As at 31 December 2019, the carrying amount of trade receivables was approximately RMB175,030,000 (2018: RMB225,337,000), net of allowance for doubtful debts of approximately RMB3,280,000 (2018: RMB6,473,000).

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. Reversal of allowance for slow-moving inventories of approximately RMB11,486,000 (2018: Allowance of RMB26,551,000) was made for the year ended 31 December 2019.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in RMB, United States dollars ("USD") and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

Certain subsidiaries of the Company have foreign currency sales and purchases transactions, bank borrowings and bills payables, which expose the Group to foreign currency risk. Approximately 12% (2018: 39%) of the Group's sales by these subsidiaries are denominated in foreign currency, USD.

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

	2019 RMB'000	2018 RMB'000
Assets		
Trade and other receivables	**21,274**	23,582
Bank and cash balances	**6,123**	15,317
	27,397	38,899
Liabilities		
Trade and other payables	**20,341**	34,005
Bank and other borrowings	**4,600**	251,468
	24,941	285,473
Net exposure	**2,456**	(246,574)

As at 31 December 2019, bills payables of a subsidiary denominated in EUR amounted to approximately RMBNil (2018: RMB102,392,000). The Group is mainly exposed to the fluctuation of USD and EUR against RMB.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in RMB against USD and EUR. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in pre-tax loss (2018: profit) where RMB strengthens 5% (2018: 5%) against USD and EUR and vice versa.

	2019 RMB'000	2018 RMB'000
(Loss)/profit before tax		
– USD	**123**	12,329
– EUR	**–**	5,120

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

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

Trade receivables

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

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	2019		
	Expected loss rate %	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Neither past due nor impaired	**0.0%**	**130,328**	**35**
Up to 3 months past due	**0.6%**	**27,403**	**168**
3 to 6 months past due	**4.8%**	**7,979**	**382**
6 months to 1 year past due	**11.4%**	**7,250**	**826**
Over 1 year past due	**34.9%**	**5,350**	**1,869**
		178,310	**3,280**

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

	2018		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	0.7%	191,857	1,395
Up to 3 months past due	0.5%	21,752	114
3 to 6 months past due	5.1%	6,503	329
6 months to 1 year past due	25.4%	7,557	1,922
Over 1 year past due	65.5%	4,141	2,713
		231,810	6,473

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

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

	2019 RMB'000	2018 RMB'000
At 1 January	**6,473**	7,267
Impairment losses recognised for the year	**3,071**	4,312
Amounts written off during the year	**(6,264)**	(5,106)
At 31 December	**3,280**	6,473

The following significant changes in the gross carrying amounts and expected loss rate of trade receivables contributed to the decrease in the loss allowance during 2019:

– origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately RMB3,915,000;

– decrease in expected loss rate for days past due over 1 year resulted in a decrease in loss allowance of approximately RMB844,000; and

– a write-off of trade receivables with a gross carrying amount of approximately RMB6,264,000 resulted in a decrease in loss allowance of approximately RMB6,264,000.

Other financial assets at amortised cost

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

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For the year ended 31 December 2019

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. Adequate lines of credit are maintained to ensure necessary liquidity is available when required. With reference to the existing unutilised facilities and newly obtained facilities up to the date when the consolidated financial statements are authorised for issue and after taking into account of any possible re-financing arrangements, the directors of the Company consider the source of liquidity and capital for the daily operation are sufficient.

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

Specifically, bank and other borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment terms. The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	Weighted average interest rate	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019							
Trade and other payables	**N/A**	**1,376,358**	**–**	**–**	**–**	**1,376,358**	**1,376,358**
Bills payables	**N/A**	**186,000**	**–**	**–**	**–**	**186,000**	**186,000**
Dividend payable to non-controlling shareholders of a subsidiary	**N/A**	**63**	**–**	**–**	**–**	**63**	**63**
Bank and other borrowings							
– fixed-rate	**4.68**	**1,118,953**	**499,911**	**803,862**	**–**	**2,422,726**	**2,162,605**
– variable-rate	**5.55**	**446,863**	**482,343**	**786,508**	**–**	**1,715,714**	**1,438,821**
Lease liabilities	**13.21**	**318,662**	**206,088**	**386,740**	**3,164,219**	**4,075,709**	**1,172,618**
		3,446,899	**1,188,342**	**1,977,110**	**3,164,219**	**9,776,570**	**6,336,465**
At 31 December 2018							
Trade and other payables	N/A	1,017,451	–	–	–	1,017,451	1,017,451
Bills payables	N/A	409,854	25,598	–	–	435,452	435,452
Dividend payable to non-controlling shareholders of a subsidiary	N/A	63	–	–	–	63	63
Bank and other borrowings							
– fixed-rate	4.58	1,014,786	89,905	852,701	–	1,957,392	1,748,246
– variable-rate	5.36	413,299	233,020	167,247	–	813,566	761,039
Finance lease obligations	7.56	202,783	161,441	29,968	–	394,192	350,872
		3,058,236	509,964	1,049,916	–	4,618,116	4,313,123

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(d) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank and other borrowings, lease liabilities and bank balances carried at prevailing interest rates. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate bank and other borrowings and lease liabilities at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2019, if interest rates had been 50 basis points higher/lower with all other variables held constant, consolidated loss (2018: profit) after tax for the year would have been approximately RMB7,413,000 (2018: RMB3,938,000) higher/lower (2018: lower/higher), arising mainly as a result of higher/lower interest expense on bank and other borrowings and lease liabilities.

(e) Biological assets

The Group is exposed to a number of risks related to its fruit and apple sapling plantations:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(ii) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of various type of fruits and apple saplings. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

(iii) Climate and other risks

The Group's fruit and apple sapling plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry pest and disease surveys.

The fruit and apple sapling plantation business requires a high level of cash flow before fruit and apple sapling can be harvested and sold. The Group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December 2019

	2019 RMB'000	2018 RMB'000
Financial assets:		
Financial assets measured at amortised cost	**554,026**	959,517
Financial liabilities:		
Financial liabilities at amortised cost	**5,163,847**	3,962,251

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(h) Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments.

	Gross amounts of recognised financial liabilities RMB'000	Gross amounts of recognised financial assets set off in the consolidated statement of financial position RMB'000	Net amounts of financial liabilities presented in the consolidated statement of financial position RMB'000
As at 31 December 2019			
Lease liabilities	**1,212,718**	**(40,100)**	**1,172,618**
As at 31 December 2018			
Finance lease payables	397,432	(46,560)	350,872

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis.

7. REVENUE

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

	2019	2018
	RMB'000	RMB'000
Sales of fruit juice concentrate and related products	**750,913**	1,306,138
Sales of apples and other fruits	**396,184**	201,729
Sales of apple saplings	**84,474**	244,940
	1,231,571	1,752,807

8. OTHER INCOME

	2019	2018
	RMB'000	RMB'000
Interest income on bank deposits	**1,214**	2,879
PRC government grants (note)	**276,116**	225,739
Amortisation of deferred government grants (note 31)	**14,039**	4,696
Others	**7,547**	6,413
	298,916	239,727

Note: The PRC government grants recognised by the Group in both years represent financial subsidies for giving immediate financial support to the Group, encouraging the Group's export sales, the fruit juice concentrate business and the agriculture business in the PRC. There are no unfulfilled conditions or contingencies in relation to the grants. The grants were determined at the sole discretion of relevant PRC government authorities.

9. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	RMB'000
Gain on disposals of saplings (note)	**4,036**	64,024
Gain on disposals of consumables	**5,475**	4,400
Net foreign exchange losses	**(2,880)**	(12,032)
Loss on disposals of property, plant and equipment	**(3,139)**	(2,387)
Other (loss)/gain	**(14,113)**	6,065
	(10,621)	60,070

Note: The amount for the year ended 31 December 2018 included gain on disposals of apple saplings of approximately RMB59,571,000 before apple saplings ceased to meet the definition of bearer plants.

10. SEGMENT INFORMATION

The Group has two operating segments as follows:

Fruit juice operation	–	Manufacture and sale of fruit juice concentrate and related products
Agriculture operation	–	Plantation and sale of apple saplings, apples and other fruits

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

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

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

10. SEGMENT INFORMATION (Continued)

Information about operating segment profit or loss:

	Fruit juice operation		Agriculture operation		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Revenue from external customers	**750,913**	1,306,138	**480,658**	446,669	**1,231,571**	1,752,807
Intersegment revenue	**785**	73	**448**	878	**1,233**	951
Reportable segment revenue	**751,698**	1,306,211	**481,106**	447,547	**1,232,804**	1,753,758
Less: intersegment revenue					**(1,233)**	(951)
Consolidated revenue					**1,231,571**	1,752,807
Segment results	**(58,020)**	5,184	**(48,810)**	41,439	**(106,830)**	46,623
Other income					**298,916**	239,727
Share of loss of an associate					**(296)**	(1,638)
Unallocated amounts:						
Other gains and losses					**(5)**	(12)
Administrative expenses					**(50,030)**	(52,110)
Finance costs					**(155,211)**	(139,078)
Consolidated (loss)/profit before tax					**(13,456)**	93,512
Depreciation of property, plant and equipment	**31,424**	15,091	**8,565**	15,739	**39,989**	30,830
Depreciation of bearer plants	**–**	–	**4,054**	2,514	**4,054**	2,514
Depreciation of right-of-use assets	**33,772**	–	**1,858**	–	**35,630**	–
Loss on disposals of property, plant and equipment	**1,606**	2,368	**1,533**	19	**3,139**	2,387
Amortisation of prepaid land lease payments	**–**	1,957	**–**	1,472	**–**	3,429
Change in fair value due to biological transformation	**–**	–	**(335,745)**	(235,988)	**(335,745)**	(235,988)
Gain on disposals of saplings	**–**	–	**(4,036)**	(64,024)	**(4,036)**	(64,024)
Write off of bearer plants	**–**	–	**71**	152	**71**	152
Write off of biological assets	**–**	–	**14,583**	11,617	**14,583**	11,617
(Reversal of allowance)/allowance for inventories	**(11,486)**	26,551	**–**	–	**(11,486)**	26,551
Write off of inventories	**346**	91	**–**	–	**346**	91
Impairment losses for trade receivables	**242**	138	**2,829**	4,174	**3,071**	4,312
Impairment losses for other receivables	**4,561**	–	**9,907**	–	**14,468**	–
Write off of property, plant and equipment	**216**	671	**452**	588	**668**	1,259

Information of assets and liabilities for operating segments are not provided to the Company's directors, being the chief operating decision maker, for their review. Therefore, no analysis of the Group's assets and liabilities by operating segments are presented.

10. SEGMENT INFORMATION (Continued)

Geographical information:

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

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

	Revenue		Non-current assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States of America (the "USA")	**54,250**	483,664	**1,547**	177
Canada	**11,748**	96,556	**–**	–
PRC	**951,144**	802,295	**7,140,546**	4,542,986
South Africa	**12,678**	90,593	**–**	–
Saudi Arabia	**15,751**	9,520	**–**	–
Japan	**103,621**	78,421	**–**	–
Australia	**12,332**	30,983	**–**	–
Russia	**36,633**	87,981	**–**	–
Germany	**–**	3,298	**–**	–
Netherlands	**266**	7,362	**–**	–
Turkey	**6,326**	20,899	**–**	–
Others	**26,822**	41,235	**–**	–
	1,231,571	1,752,807	**7,142,093**	4,543,163

Revenue from major customer:

	2019	2018
	RMB'000	RMB'000
Agriculture operation segment		
Customer A (note)	**–**	189,725

Note: Customer A did not contribute 10% or more than 10% of the total revenue of the Group during the year ended 31 December 2019.

Information about major products:

	2019	2018
	RMB'000	RMB'000
Apple juice	**511,926**	1,044,228
Other juice	**142,194**	169,323
Fresh fruits	**396,184**	201,729
Apple saplings	**84,474**	244,940
Others	**96,793**	92,587
	1,231,571	1,752,807

11. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest expense on lease liabilities	**156,604**	–
Finance lease charges	**–**	28,095
Interest on bank and other borrowings	**188,837**	154,465
Total borrowing costs	**345,441**	182,560
Amount capitalised	**(190,230)**	(43,482)
	155,211	139,078

12. INCOME TAX EXPENSE

	2019	2018
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**2,310**	2,159
Other jurisdiction	**303**	494
Withholding tax	**18**	–
Underprovision in prior years	**2,093**	8,387
	4,724	11,040
Deferred tax (note 32)	**4,731**	4,686
	9,455	15,726

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 2018 and 2019. 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 2018 and 2019, 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.

12. INCOME TAX EXPENSE (Continued)

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 2018 and 2019, 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)/profit before tax multiplied by the PRC EIT rate is as follows:

	2019 **RMB'000**	2018 RMB'000
(Loss)/profit before tax	**(13,456)**	93,512
Tax at the PRC EIT rate of 25% (2018: 25%)	**(3,364)**	23,378
Tax effect of income that is not taxable	**(20,993)**	(25,228)
Tax effect of expenses that are not deductible	**71,013**	25,882
Tax effect of tax losses not recognised	**88,973**	55,076
Tax effect of share of loss of an associate	**74**	409
Tax effect of utilisation of tax losses not previously recognised	**(11,076)**	(2,384)
Tax exemption and tax concession	**(125,045)**	(74,227)
Effect of different tax rate of a subsidiary operating in other jurisdiction	**3,031**	(253)
Underprovision in prior years	**2,093**	8,387
Withholding tax	**4,749**	4,686
Income tax expense	**9,455**	15,726

13. (LOSS)/PROFIT FOR THE YEAR

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

	2019	2018
	RMB'000	RMB'000
Auditors' remuneration	**2,400**	2,300
Amortisation of prepaid land lease payments	**–**	78,133
Less: amount capitalised into cost of bearer plants/biological assets	**–**	(74,704)
	–	3,429
Depreciation of property, plant and equipment		
– owned assets	**92,925**	61,076
– assets under finance lease	**–**	40,004
	92,925	101,080
Less: amount capitalised into cost of bearer plants/biological assets/inventories	**(47,196)**	(64,854)
	45,729	36,226
Depreciation of right-of-use assets	**72,805**	–
Less: amount capitalised into cost of bearer plants/biological assets/inventories	**(36,604)**	–
	36,201	–
Operating lease charges for land and buildings	**–**	16,704
Depreciation of bearer plants	**4,054**	2,514
Impairment losses for other receivables	**14,468**	–
(Reversal of allowance)/allowance for inventories (included in cost of sales)	**(11,486)**	26,551
Write off of bearer plants	**71**	152
Write off of biological assets	**14,583**	11,617
Write off of inventories	**346**	91
Cost of inventories sold	**1,157,048**	1,500,567
Loss on disposals of property, plant and equipment	**3,139**	2,387
Write off of property, plant and equipment	**668**	1,259

There is a reversal of allowance for inventories of approximately RMB11,486,000 (2018: RMBNil) for the year, being the result of persistent effort of the management to improve the ageing of inventories and certain slow-moving inventories are sold during the year.

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14. EMPLOYEE BENEFITS EXPENSE

	2019 RMB'000	2018 RMB'000
Salaries, bonuses and allowances	**431,115**	357,916
Retirement benefit scheme contributions	**15,193**	17,788
Total staff costs	**446,308**	375,704
Less: staff costs capitalised into inventories	**(36,638)**	(63,412)
Less: staff costs capitalised into biological assets	**(40,379)**	(16,158)
Less: staff costs capitalised into cost of bearer plants	**(125,064)**	(89,905)
	244,227	206,229

The five highest paid individuals in the Group during the year included four (2018: three) directors whose emoluments are reflected in the analysis presented in note 15(a). The emoluments of the remaining one (2018: two) individual(s) are set out below:

	2019 RMB'000	2018 RMB'000
Salaries, bonuses and allowances	**1,264**	1,840
Retirement benefit scheme contributions	**112**	151
	1,376	1,991

The emoluments fell within the following bands:

	Number of individual(s) 2019	 2018
Nil to HK$1,000,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
	1	2

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of every director are set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking									
	Fees		Salaries		Discretionary bonus		Employer's contribution to a retirement benefit scheme		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Executive directors										
Mr. Gao Liang ("Mr. Gao")	**–**	–	**923**	922	**220**	220	**34**	40	**1,177**	1,182
Mr. Wang Linsong	**–**	–	**504**	422	**132**	96	**34**	40	**670**	558
Mr. Zhao Chongjun (note (i))	**–**	–	**535**	442	**100**	100	**27**	40	**662**	582
Mr. Ding Li (note (ii))	**–**	–	**625**	482	**110**	132	**32**	40	**767**	654
Mr. Wang Yasen (note (iii))	**–**	–	**360**	–	**70**	–	**34**	–	**464**	–
Mr. Wang Junqing (note (iv))	**–**	–	**361**	–	**70**	–	**34**	–	**465**	–
	–	–	**3,308**	2,268	**702**	548	**195**	160	**4,205**	2,976
Independent non-executive directors										
Mr. Zhao Boxiang	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Liu Zhongli	**60**	60	**–**	–	**–**	–	**–**	–	**60**	60
Mr. Chan Bing Chung (note (v))	**–**	25	**–**	–	**–**	–	**–**	–	**–**	25
Mr. Chang Xiaobo (note (vi))	**60**	37	**–**	–	**–**	–	**–**	–	**60**	37
Ms. Huang Liqiong (note (vii))	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
	180	182	**–**	–	**–**	–	**–**	–	**180**	182
	180	182	**3,308**	2,268	**702**	548	**195**	160	**4,385**	3,158

Notes:
(i) Resigned on 27 September 2019.
(ii) Resigned on 14 November 2019.
(iii) Appointed on 27 September 2019.
(iv) Appointed on 14 November 2019.
(v) Resigned on 23 May 2018.
(vi) Appointed on 23 May 2018 and resigned on 3 December 2019.
(vii) Appointed on 3 December 2019.

15. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Mr. Gao is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive.

The bonus payment is determined based on the Group's performance for the year.

Neither the chief executive nor any of the directors waived any emoluments during the year (2018: Nil).

(b) Directors' material interests in transactions, arrangements and contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

17. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic loss (2018: earnings) per share attributable to owners of the Company is based on the loss (2018: profit) for the year attributable to owners of the Company of approximately RMB64,591,000 (2018: RMB79,686,000) and the weighted average number of ordinary shares of 1,289,788,000 (2018: 1,289,788,000) in issue during the year.

Diluted (loss)/earnings per share

As the Company did not have any dilutive potential ordinary shares for the year ended 31 December 2019 and there were no dilutive potential ordinary shares for the Company's share options for the year ended 31 December 2018, diluted loss (2018: earnings) per share was the same as the basic loss (2018: earnings) per share for the year ended 31 December 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Machinery RMB'000	Cultivation equipment and facilities RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
At 1 January 2018	1,169,955	1,178,074	510,825	29,956	47,506	349,796	3,286,112
Additions	11,689	21,160	65,603	9,820	5,873	710,903	825,048
Transfer	242,591	44,483	103,360	2,127	1,534	(394,095)	–
Disposals	(12)	(12,657)	(11,345)	(526)	(30)	–	(24,570)
Write off	(390)	(3,229)	(113)	(888)	(1,020)	–	(5,640)
Exchange differences	–	–	–	–	30	–	30
At 31 December 2018 and 1 January 2019	1,423,833	1,227,831	668,330	40,489	53,893	666,604	4,080,980
Reclassification due to adoption of IFRS 16 (note 3)	(311,644)	(926,552)	(31,239)	(2,088)	(2,094)	–	(1,273,617)
Transfer from right-of-use assets (note 20)	205	214,231	–	275	104	–	214,815
Additions	53,082	17,320	79,871	5,865	10,441	1,048,681	1,215,260
Transfer	108,743	5,348	87,509	–	814	(202,414)	–
Disposals	(743)	(12,260)	(3,873)	(1,751)	(496)	–	(19,123)
Write off	(305)	(776)	(539)	(28)	(149)	–	(1,797)
Exchange differences	–	–	–	–	10	–	10
At 31 December 2019	1,273,171	525,142	800,059	42,762	62,523	1,512,871	4,216,528
Accumulated depreciation and impairment							
At 1 January 2018	208,133	620,888	33,199	6,597	22,553	–	891,370
Charge for the year	33,102	33,911	27,727	2,850	3,490	–	101,080
Disposals	(7)	(7,965)	(743)	(218)	(16)	–	(8,949)
Write off	(22)	(2,765)	(12)	(789)	(793)	–	(4,381)
Exchange differences	–	–	–	–	21	–	21
At 31 December 2018 and 1 January 2019	241,206	644,069	60,171	8,440	25,255	–	979,141
Reclassification due to adoption of IFRS 16 (note 3)	(68,651)	(561,827)	(677)	(1,564)	(1,054)	–	(633,773)
Transfer from right-of-use assets (note 20)	109	130,628	–	356	83	–	131,176
Charge for the year	34,761	15,106	35,844	3,357	3,857	–	92,925
Disposals	(465)	(5,455)	(724)	(809)	(33)	–	(7,486)
Write off	(19)	(600)	(396)	(1)	(113)	–	(1,129)
Exchange differences	–	–	–	–	9	–	9
At 31 December 2019	206,941	221,921	94,218	9,779	28,004	–	560,863
Carrying amount							
At 31 December 2019	1,066,230	303,221	705,841	32,983	34,519	1,512,871	3,655,665
At 31 December 2018	1,182,627	583,762	608,159	32,049	28,638	666,604	3,101,839

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18. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(a) At 31 December 2019 the carrying amount of buildings, machinery and construction in progress pledged as security for the Group's bank borrowings (2018: bank borrowings and finance lease payables) amounted to approximately RMB523,453,000 (2018: RMB463,308,000), RMB252,627,000 (2018: RMB606,709,000) and RMB115,595,000 (2018: RMBNil) respectively.

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

19. PREPAID LAND LEASE PAYMENTS

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

	RMB'000
At 1 January 2018	141,195
Additions	109,720
Amortisation	(78,133)
At 31 December 2018 and 1 January 2019	172,782
Reclassification due to adoption of IFRS 16 (note 3)	(172,782)
Restated balance at 1 January 2019	–

	2018 RMB'000
Current portion	18,567
Non-current portion	154,215
	172,782

20. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased buildings and machinery RMB'000	Leased bearer plants RMB'000	Total RMB'000
At 1 January 2019 (note 3)	789,575	641,839	180,291	1,611,705
Additions	329,950	28,687	38,686	397,323
Depreciation	(40,827)	(31,978)	–	(72,805)
Transfer to inventories	–	–	(8,612)	(8,612)
Transfer to property, plant and equipment (note 18)	–	(83,639)	–	(83,639)
Exchange differences	–	27	–	27
At 31 December 2019	1,078,698	554,936	210,365	1,843,999

At 31 December 2019 the carrying amount of right-of-use assets pledged as security for the Group's bank borrowings and lease liabilities amount to approximately RMB149,754,000 (2018: RMBNil) and RMB713,010,000 (2018: RMBNil) respectively.

20. RIGHT-OF-USE ASSETS (Continued)

Lease liabilities of approximately RMB1,172,618,000 are recognised with related right-of-use assets of approximately RMB1,611,413,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2019 **RMB'000**
Depreciation expenses on right-of-use assets (included in cost of sales)	**36,201**
Interest expense on lease liabilities (included in finance costs)	**29,814**
Expenses relating to short-term leases (included in cost of sales and administrative expenses)	**15,317**

Details of total cash outflow for leases is set out in note 36(b).

For both years, the Group leases various lands, buildings, machinery and bearer plants for its operations. Lease contracts are entered into for fixed term of 1 year to 30 years. Certain leases of buildings, machinery and bearer plants were accounted for as finance leases during the year ended 31 December 2018 and carried interest ranged from 5.75% to 10.89%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments is summarised below:

	Lease liabilities recognised as at 31 December 2019 (discounted) RMB'000	**Potential future lease payments under extension options not included in lease liabilities (undiscounted)** RMB'000
Office – USA	1,515	3,482
Leasehold lands – PRC	811	6,030
	2,326	9,512

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there has been no such triggering event.

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21. BEARER PLANTS

	Apple	Rootstock	Mulberry	Blueberry	Cherry	Kiwi	Tangerine	Pear	Pomegranate	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Infant trees											
Cost											
At 1 January 2018	696,451	12,709	–	40,623	1,284	19,985	89,120	15,265	–	2,893	878,330
Additions	230,033	3,082	–	23,044	19,444	9,883	111,468	7,105	–	1,272	405,331
Transfer to biological assets (note 23)	(185,257)	–	–	–	–	–	–	–	–	–	(185,257)
Disposals	(10,882)	–	–	–	(6)	(409)	(6,846)	(1,973)	–	(13)	(20,129)
At 31 December 2018 and 1 January 2019	730,345	15,791	–	63,667	20,722	29,459	193,742	20,397	–	4,152	1,078,275
Reclassification due to adoption of IFRS 16 (note 3)	(180,291)	–	–	–	–	–	–	–	–	–	(180,291)
Additions	316,612	1,735	–	54,055	31,148	11,044	124,869	8,870	12,027	1,209	561,569
Transfer to mature trees	(284,658)	(2,597)	–	–	–	(27,257)	–	–	–	–	(314,512)
Disposals	(96)	–	–	–	–	(85)	(3,675)	(8)	–	–	(3,864)
At 31 December 2019	581,912	14,929	–	117,722	51,870	13,161	314,936	29,259	12,027	5,361	1,141,177
Carrying amount											
At 31 December 2019	581,912	14,929	–	117,722	51,870	13,161	314,936	29,259	12,027	5,361	1,141,177
At 31 December 2018	730,345	15,791	–	63,667	20,722	29,459	193,742	20,397	–	4,152	1,078,275
Mature trees											
Cost											
At 1 January 2018	46,392	9,362	506	151	3,193	–	–	–	–	–	59,604
Additions	–	–	–	–	111	–	–	–	–	–	111
Write off	(141)	–	(13)	–	–	–	–	–	–	–	(154)
At 31 December 2018 and 1 January 2019	46,251	9,362	493	151	3,304	–	–	–	–	–	59,561
Additions	361	354	1	–	–	–	–	–	–	–	716
Transfer from infant trees	284,658	2,597	–	–	–	27,257	–	–	–	–	314,512
Write off	(51)	–	(31)	–	–	–	–	–	–	–	(82)
At 31 December 2019	331,219	12,313	463	151	3,304	27,257	–	–	–	–	374,707
Accumulated depreciation											
At 1 January 2018	2,695	688	55	45	960	–	–	–	–	–	4,443
Charge for the year	1,850	467	16	8	173	–	–	–	–	–	2,514
Write off	–	–	(2)	–	–	–	–	–	–	–	(2)
At 31 December 2018 and 1 January 2019	4,545	1,155	69	53	1,133	–	–	–	–	–	6,955
Charge for the year	3,382	467	14	6	185	–	–	–	–	–	4,054
Write off	(7)	–	(4)	–	–	–	–	–	–	–	(11)
At 31 December 2019	7,920	1,622	79	59	1,318	–	–	–	–	–	10,998
Carrying amount											
At 31 December 2019	323,299	10,691	384	92	1,986	27,257	–	–	–	–	363,709
At 31 December 2018	41,706	8,207	424	98	2,171	–	–	–	–	–	52,606
Total carrying amount											
At 31 December 2019	905,211	25,620	384	117,814	53,856	40,418	314,936	29,259	12,027	5,361	1,504,886
At 31 December 2018	772,051	23,998	424	63,765	22,893	29,459	193,742	20,397	–	4,152	1,130,881

21. BEARER PLANTS (Continued)

At 31 December 2019 the carrying amount of bearer plants pledged as security for the Group's bank borrowings and lease liabilities (2018: bank borrowings and finance lease payables) amount to approximately RMB242,607,000 (2018: RMB177,833,000) and RMBNil (2018: RMB146,551,000) respectively.

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

	2019	2018
Infant trees	**16,035,860**	15,677,501
Mature trees	**3,360,126**	1,065,745

22. INVESTMENT IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Unlisted investment:		
Share of net assets	**7,453**	7,749

Details of the Group's associate at 31 December 2019 are as follows:

Name	Place of incorporation/ registration	Particular of issued share capital	Percentage of ownership interest/ profit sharing 2019	Percentage of ownership interest/ profit sharing 2018	Principal activities
安徽迪斯特海升酒業有限責任公司("迪斯特海升")	PRC	Registered capital of RMB100,000,000/ paid up capital of RMB40,000,000	**49%**	49%	Manufacture and sale of alcoholic drinks

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22. INVESTMENT IN AN ASSOCIATE (Continued)

The following table shows information on the associate that is material to the Group. The associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the IFRS financial statements of the associate.

Name	**迪斯特海升**	
	2019	2018
Principal place of business/country of incorporation	**PRC/PRC**	
Principal activities	**Manufacture and sale of alcoholic drinks**	
% of ownership interests/voting rights held by the Group	**49%/43%**	49%/43%
	RMB'000	RMB'000
At 31 December:		
Non-current assets	**13,374**	13,619
Current assets	**4,480**	4,837
Current liabilities	**(2,644)**	(2,642)
Net assets	**15,210**	15,814
Group's share of carrying amount of interests	**7,453**	7,749
Year ended 31 December:		
Revenue	**–**	3
Loss for the year	**(604)**	(3,343)
Total comprehensive income for the year	**(604)**	(3,343)

As at 31 December 2019, the bank and cash balances of the Group's associate in the PRC denominated in RMB amounted to approximately RMB854,000 (2018: RMB1,215,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

23. BIOLOGICAL ASSETS

Movements in biological assets are summarised as follows:

	Apple saplings RMB'000	Apple RMB'000	Baby carrot RMB'000	Strawberry RMB'000	Tomato RMB'000	Total RMB'000
At 1 January 2018	–	3,849	1,384	16,332	11,046	32,611
Increase due to cultivation	110,997	18,529	13,820	55,826	35,286	234,458
Transfer from bearer plants (note 21)	185,257	–	–	–	–	185,257
Change in fair value due to biological transformation (note (b))	195,175	13,954	30,636	(5,898)	2,121	235,988
Transfer of harvested fresh fruit bunches to inventories	(370,937)	(26,928)	(43,637)	(51,515)	(32,058)	(525,075)
Write off	–	(980)	(795)	(1,305)	(8,537)	(11,617)
At 31 December 2018 and 1 January 2019 (note (c))	120,492	8,424	1,408	13,440	7,858	151,622
Increase due to cultivation	66,545	68,010	38,541	47,602	59,814	280,512
Change in fair value due to biological transformation (note (b))	185,668	110,677	20,231	(2,349)	21,518	335,745
Transfer of harvested fresh fruit bunches/apple saplings to inventories	(303,369)	(171,124)	(55,957)	(43,198)	(69,633)	(643,281)
Write off	–	(5,928)	(1,841)	(2,939)	(3,875)	(14,583)
At 31 December 2019 (note (c))	69,336	10,059	2,382	12,556	15,682	110,015

	2019 **RMB'000**	2018 RMB'000
Analysed as:		
Current assets	**40,679**	31,842
Non-current assets	**69,336**	119,780
	110,015	151,622

Notes:

(a) The total area of biological assets as at 31 December 2019 is 75,163 Mu (2018: 69,036 Mu).

(b) During the year, the Group harvested 44,944 (2018: 18,676) tonnes of fruits and 4,902,986 (2018: 3,745,730) apple saplings. The directors measured the fair value less costs to sell of fruits at harvest based on market prices as at or close to the harvest dates.

(c) Cultivation costs incurred as additions to the biological assets. Apples and apple saplings are harvested annually from April to November and October to December respectively, and other fruits are harvested throughout the year. After the harvest, plantation works commenced again on the farmland. The directors considered that there was no active market for the fruits and apple saplings before harvest at the end of the reporting period. The present value of expected cash flows was not considered as a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the directors considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 31 December 2018 and 2019.

The carrying value of biological assets as at 31 December 2018 and 2019 represented cultivation costs incurred including fertilisers, pesticides, labour costs and rentals of farmland.

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24. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials and consumables	**255,398**	172,613
Work in progress	**106,923**	149,579
Finished goods	**418,072**	425,900
	780,393	748,092

There is a reversal of allowance for inventories of approximately RMB11,486,000 (2018: RMBNil) for the year, being the result of persistent effort of the management to improve the ageing of inventories and certain slow-moving inventories are sold during the year.

The carrying amount of inventories pledged as security for banking facilities granted to the Group amounted to approximately RMB462,490,000 (2018: RMB284,618,000).

25. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**178,310**	231,810
Less: allowance for doubtful debts	**(3,280)**	(6,473)
	175,030	225,337
Bills receivables	**1,084**	10,176
Value added tax recoverable and other tax recoverable (note)	**42,690**	44,214
Receivables from disposals of saplings	**–**	5,891
Advances to suppliers	**22,150**	17,133
Other receivables, deposits and prepayments (note)	**167,395**	129,693
	408,349	432,444

Note: As at 31 December 2019, value added tax recoverable and deposit and other receivables of approximately RMBNil (2018: RMB2,110,000) and RMB12,452,000 (2018: RMB7,985,000) were pledged as securities for lease liabilities and bank and other borrowings (2018: finance lease payables and bank and other borrowings) as detailed in note 30 and note 29 respectively.

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

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

	2019 RMB'000	2018 RMB'000
0 to 90 days	**145,246**	148,911
91 to 180 days	**18,528**	63,818
181 to 365 days	**7,578**	5,891
Over 1 year	**3,678**	6,717
	175,030	225,337

25. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2019, trade receivables of approximately RMB18,170,000 (2018: RMB43,725,000) were pledged to a bank to secure bank borrowings as set out in note 29 to the consolidated financial statements.

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

	2019	2018
	RMB'000	RMB'000
USD	**38,607**	65,815
RMB	**136,423**	159,522
Total	**175,030**	225,337

26. DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. The related companies are beneficially owned and controlled by a director of the Company, who is also a shareholder of the Company, as set out in note 40(a) to the consolidated financial statements.

27. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 December 2019, the pledged bank deposits and bank and cash balances of the Group denominated in RMB amounted to approximately RMB135,281,000 (2018: RMB330,847,000) and RMB164,623,000 (2018: RMB287,298,000) respectively. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

As at 31 December 2019, the pledged bank deposits of approximately RMB144,320,000 (2018: RMB348,629,000) carried prevailing interest rate of 1.81% (2018: 0.87%) per annum and bank balances of approximately RMB170,671,000 (2018: RMB308,723,000) carried prevailing interest rate of 0.35% (2018: 0.35%) per annum.

The pledged bank deposits of approximately RMB114,035,000 (2018: RMB330,743,000) are used to secure the bills payables which are payable within 6 to 12 months (2018: 6 to 12 months). Accordingly, the pledged bank deposits are classified as current assets.

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28. TRADE AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**708,368**	652,476
Payables for acquisition of property, plant and equipment	**295,072**	174,116
Contract liabilities	**81,889**	64,451
Accrued salaries	**70,945**	26,012
Accrued interest	**13,158**	7,850
Value added tax and other tax payables	**11,399**	7,691
Other liabilities	**–**	47,995
Other payables and accruals	**288,815**	156,997
	1,469,646	1,137,588
Less: other liabilities-non-current portion	**–**	(47,995)
	1,469,646	1,089,593

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:

	2019 RMB'000	2018 RMB'000
0 to 90 days	**361,690**	384,638
91 to 180 days	**160,162**	114,322
181 to 365 days	**65,007**	106,151
Over 1 year	**121,509**	47,365
	708,368	652,476

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

	2019 RMB'000	2018 RMB'000
USD	**20,341**	38,611
RMB	**688,027**	613,865
Total	**708,368**	652,476

28. TRADE AND OTHER PAYABLES (Continued)

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

	2019 RMB'000	2018 RMB'000
Billings in advance of performance obligation for values of goods	**81,889**	64,451

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

Movements in contract liabilities:

	2019 RMB'000	2018 RMB'000
Balance at 1 January	**64,451**	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	**(64,451)**	(17,533)
Increase in contract liabilities as a result of advance received from customers	**81,889**	64,451
Balance at 31 December	**81,889**	64,451

29. BANK AND OTHER BORROWINGS

	2019 RMB'000	2018 RMB'000
Bank loans	**2,473,748**	1,884,000
Other borrowings (note (a))	**968,128**	554,199
Loans from government (note (b))	**159,550**	71,086
	3,601,426	2,509,285
Analysed as:		
Secured	**2,288,794**	1,555,671
Unsecured	**501,996**	145,939
Guaranteed	**810,636**	807,675
	3,601,426	2,509,285
Analysed as:		
Fixed-rate borrowings	**2,162,605**	1,748,246
Variable-rate borrowings	**1,438,821**	761,039
	3,601,426	2,509,285

Notes:

(a) Other borrowings were from local rural cooperatives and investment entities controlled by the PRC government. These borrowings were unsecured and borne interest ranging from 1.00% to 11.16% (2018: 2.38% to 11.16%) per annum.

(b) The loans from government were unsecured and borne interest ranging from 2.00% to 16.00% (2018: 3.00% to 16.00%) per annum.

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29. BANK AND OTHER BORROWINGS (Continued)

The borrowings are repayable as follows:

	2019	2018
	RMB'000	RMB'000
On demand or within one year	**1,422,631**	1,338,424
More than one year, but not exceeding two years	**860,427**	274,561
More than two years, but not more than five years	**1,318,368**	896,300
	3,601,426	2,509,285
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,422,631)**	(1,338,424)
Amount due for settlement after 12 months	**2,178,795**	1,170,861

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

	RMB	**USD**	**Total**
	RMB'000	RMB'000	RMB'000
2019			
Bank loans	**2,432,589**	**41,159**	**2,473,748**
Other borrowings	**968,128**	**–**	**968,128**
Loans from government	**159,550**	**–**	**159,550**
	3,560,267	**41,159**	**3,601,426**
2018			
Bank loans	1,607,139	276,861	1,884,000
Other borrowings	554,199	–	554,199
Loan from government	71,086	–	71,086
	2,232,424	276,861	2,509,285

29. BANK AND OTHER BORROWINGS (Continued)

The interest rates at 31 December were as follows:

	2019	2018
Fixed-rate borrowings	1.00% to 16.00%	2.38% to 16.00%
Variable-rate borrowings	4.35% to 8.27%	4.35% to 7.84%

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

Bank and other borrowings of approximately RMB2,162,605,000 (2018: RMB1,748,246,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The directors consider that the bank and other borrowings in the consolidated financial statements are carried at amounts not materially different from their fair value as at 31 December 2019 and 2018.

At 31 December 2019, the bank loans were secured by:

(i) charge over the Group's property, plant and equipment with a carrying amount of approximately RMB891,675,000 (2018: RMB514,389,000);

(ii) charge over the Group's prepaid land lease payments with a carrying amount of approximately RMBNil (2018: RMB62,687,000);

(iii) charge over the Group's right-of-use assets with a carrying amount of approximately RMB149,754,000 (2018: RMBNil);

(iv) charge over the Group's inventories with a carrying amount of approximately RMB462,490,000 (2018: RMB284,618,000);

(v) charge over the Group's bank deposits of approximately RMB144,320,000 (2018: RMB348,629,000);

(vi) charge over the Group's trade and other receivables with a carrying amount of approximately RMB30,622,000 (2018: RMB51,710,000);

(vii) charge over the Group's bearer plants with carrying amount of approximately RMB242,607,000 (2018: RMB177,833,000);

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

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

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30. LEASE LIABILITIES (2018: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**341,662**	202,782	**208,866**	177,909
In the second to fifth years, inclusive	**609,928**	237,970	**110,849**	219,523
Over five years	**3,164,219**	–	**893,003**	–
	4,115,809	440,752	**1,212,718**	397,432
Less: Future finance charges	**(2,903,091)**	(43,320)	**N/A**	N/A
Present value of lease obligations	**1,212,718**	397,432	**1,212,718**	397,432
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(185,866)**	(171,449)
Less: Security deposits			**(40,100)**	(46,560)
Amount due for settlement after 12 months			**986,752**	179,423

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

	2019	2018
	RMB'000	RMB'000
USD	**1,515**	–
RMB	**1,171,103**	350,872
Total	**1,172,618**	350,872

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to IFRS 16 are set out in note 3.

The Group's lease liabilities of approximately RMB214,447,000 (2018: RMB350,872,000) are secured by certain of the Group's buildings, machinery, right-of-use assets, bearer plants and value added tax recoverable of approximately RMBNil (2018: RMB165,849,000), RMBNil (2018: RMB389,779,000), RMB713,010,000 (2018: RMBNil), RMBNil (2018: RMB146,551,000) and RMBNil (2018: RMB2,110,000) respectively, corporate guarantee executed by the Company and personal guarantee executed by Mr. Gao (a director and major shareholder of the Company) and his spouse.

31. DEFERRED GOVERNMENT GRANTS

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

	2019	2018
	RMB'000	RMB'000
At 1 January	**150,881**	130,292
Received during the year	**92,278**	25,285
Credit to profit or loss for the year (note 8)	**(14,039)**	(4,696)
At 31 December	**229,120**	150,881
Analysed as:		
Current liabilities	**15,134**	7,409
Non-current liabilities	**213,986**	143,472
	229,120	150,881

During the year ended 31 December 2019, the Group received grants, benefits of interest-free loans and rent-free land and buildings from government or government controlled entities for cultivation facilities, machinery and operation of juice business of approximately RMB36,239,000 (2018: RMB15,485,000), RMB35,074,000 (2018: RMB9,800,000) and RMB20,965,000 (2018: RMBNil) respectively. There is no unfulfilled condition relating to those grants and such grants are deferred and released to profit or loss over the period in which the Group recognises as expenses the related costs for which the grants are intended to compensate or in accordance with the useful lives of the related assets.

32. DEFERRED TAX

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

	2019	2018
	RMB'000	RMB'000
At 1 January	**26,805**	22,119
Charge to profit or loss for the year (note 12)	**4,731**	4,686
At 31 December	**31,536**	26,805

Under the EIT law of the PRC, a 10% withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax. Deferred tax liabilities of approximately RMB31,536,000 (2018: RMB26,805,000) has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is approximately RMB815,110,000 (2018: RMB676,947,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At the end of the reporting period the Group has unused tax losses of approximately RMB819,597,000 (2018: RMB538,842,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The unrecognised tax losses will expire on various dates up to 2024 (2018: 2023).

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33. SHARE CAPITAL

	Number of shares	Amounts HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	10,000,000,000	100,000,000
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,289,788,000	12,897,880

	2019 **RMB'000**	2018 RMB'000
Shown on the consolidated statement of financial position at 31 December	**13,296**	13,296

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

Management of the Group reviews the capital structure regularly, taking into account the cost and risk associated with the capital. The Group will then balance its capital structure through payment of dividends, issue of new shares and/or new debt or extension or redemption of its existing debts.

33. SHARE CAPITAL (Continued)

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank and other borrowings, bills payables and lease liabilities (2018: finance lease payables) less pledged bank deposits and bank and cash balances as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio as at the end of the reporting period was as follows:

	2019 **RMB'000**	2018 RMB'000
Bank and other borrowings	**3,601,426**	2,509,285
Bills payables	**186,000**	435,452
Lease liabilities	**1,172,618**	–
Finance lease payables	**–**	350,872
	4,960,044	3,295,609
Less: Pledged bank deposits	**(144,320)**	(348,629)
Bank and cash balances	**(170,972)**	(309,033)
Net debt	**4,644,752**	2,637,947
Total equity	**1,995,340**	1,820,711
Gearing ratio	**232.8%**	144.9%

The increase in the gearing ratio during 2019 resulted primarily from the recognition of lease liabilities for leases previously classified as operating leases upon adoption of IFRS 16 for the year.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 December 2019 and 2018.

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

(a) Statement of financial position of the Company

	Note	At 31 December 2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries		**686,843**	686,207
Current assets			
Due from subsidiaries		**17,561**	15,025
Bank balances		**33**	6,238
Dividend receivable		**4,747**	4,644
		22,341	25,907
Current liabilities			
Other payables		**3,016**	2,453
Financial guarantees		**16,064**	30,880
		19,080	33,333
Net current assets/(liabilities)		**3,261**	(7,426)
NET ASSETS		**690,104**	678,781
Capital and reserves			
Equity attributable to owners of the Company			
Share capital	33	**13,296**	13,296
Reserves	34(b)	**676,808**	665,485
EQUITY		**690,104**	678,781

Approved by the board of directors on 15 May 2020 and is signed on its behalf by:

Gao Liang
Director

Wang Junqing
Director

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	212,838	431,247	4,352	11,750	660,187
Total comprehensive income for the year	–	–	–	5,298	5,298
Lapse of share options	–	–	(4,352)	4,352	–
At 31 December 2018 and 1 January 2019	**212,838**	**431,247**	**–**	**21,400**	**665,485**
Total comprehensive income for the year	**–**	**–**	**–**	**11,323**	**11,323**
At 31 December 2019	**212,838**	**431,247**	**–**	**32,723**	**676,808**

35. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

Contributed surplus represents the difference between the net assets of the subsidiaries and the nominal amount of the Company's shares issued in exchange thereof pursuant to a group reorganisation.

(iii) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments.

(iv) Special reserve

The special reserve represents the aggregate amount of the share capital and share premium of the subsidiaries which were acquired by the Company at the date of the group reorganisation less the consideration payable to the then shareholders.

35. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(c) to the consolidated financial statements.

(vi) Statutory surplus reserve

Each of the Company's PRC subsidiary's Articles of Association requires the appropriation of 10% of its profit after tax determined under the relevant accounting principles and financial regulations applicable to companies established in the PRC each year to the statutory surplus reserve until the balance reaches 50% of the registered capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into registered capital and expansion of the production and operation.

(vii) Other reserve

In July 2011, the Group acquired the remaining 30% equity interest of one of its subsidiaries from the non-controlling shareholders for an aggregate consideration of approximately RMB13,952,000. The excess of the fair value of the consideration paid over the adjustment to NCI has been recognised directly to equity.

During the year ended 31 December 2015, pursuant to a capital increase agreement, two independent third parties had made capital contribution to a subsidiary of the Group resulting in a dilution of shareholding in this subsidiary. The difference of approximately RMB9,113,000 between the capital contribution of RMB130,000,000 and the amount of NCI adjusted of RMB139,113,000 was directly recognised in other reserve.

During the year ended 31 December 2016, pursuant to two capital increase agreements, two independent third parties had made capital contributions to two subsidiaries of the Group resulting in a dilution of shareholding in these subsidiaries. The difference of approximately RMB1,072,000 between the capital contributions of RMB40,310,000 and the amount of NCI adjusted of RMB39,238,000 was directly recognised in other reserve.

During the year ended 31 December 2017, pursuant to two capital increase agreements, two independent third parties had made capital contributions to two subsidiaries of the Group resulting in a dilution of shareholding in these subsidiaries. The difference of approximately RMB7,360,000 between the capital contributions of RMB66,000,000 and the amount of NCI adjusted of RMB73,360,000 was directly recognised in other reserve.

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

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of liabilities arising from financing activities

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

	At 1 January 2019 RMB'000	Impact on initial application of IFRS 16 (note 3) RMB'000	Restated balance at 1 January 2019 RMB'000	Cash flows RMB'000	Interest expense RMB'000	Addition of lease liabilities RMB'000	Others (note) RMB'000	At 31 December 2019 RMB'000
Bank and other borrowings	2,509,285	–	2,509,285	959,427	125,397	–	7,317	3,601,426
Finance lease payables	350,872	(350,872)	–	–	–	–	–	–
Lease liabilities	–	1,017,655	1,017,655	(144,918)	29,814	258,450	11,617	1,172,618
	2,860,157	666,783	3,526,940	814,509	155,211	258,450	18,934	4,774,044

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

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

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2019 RMB'000	2018 RMB'000
Within operating cash flows	**24,338**	16,704
Within investing cash flows	**117,908**	109,720
Within financing cash flows	**144,918**	166,248
	287,164	292,672

These amounts relate to the following:

	2019 RMB'000	2018 RMB'000
Lease rental paid	**169,256**	292,672
Payments for right-of-use assets	**117,908**	–
	287,164	292,672

37. CAPITAL COMMITMENTS

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

	2019 RMB'000	2018 RMB'000
Property, plant and equipment	**412,882**	310,496
Bearer plants	**42,543**	507
Capital contribution to an associate	**29,400**	29,400
	484,825	340,403

38. OPERATING LEASE ARRANGEMENTS

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

	2018 RMB'000
Within one year	78,104
In the second to fifth years inclusive	377,621
After five years	2,057,573
	2,513,298

Operating lease payments include rentals payable by the Group for its warehouses, office premises and lands. Leases of warehouses and office premises are negotiated for terms ranging from 1 to 5 years with fixed rentals. Leases of lands are negotiated for terms ranging from 1 to 30 years and rentals are adjusted periodically ranging from every year to every five years. All leases do not include contingent rentals.

The Group regularly entered into short-term leases for warehouses. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20. As at 31 December 2019, there were no outstanding lease commitments relating to these leases.

39. PLEDGE OF ASSETS

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

	2019 **RMB'000**	2018 RMB'000
Property, plant and equipment	**891,675**	1,070,017
Bearer plants	**242,607**	324,384
Right-of-use assets	**862,764**	–
Prepaid land lease payments	**–**	62,687
Pledged bank deposits	**144,320**	348,629
Inventories	**462,490**	284,618
Trade and other receivables	**30,622**	53,820
	2,634,478	2,144,155

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40. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Balances with related parties

	2019 RMB'000	2018 RMB'000
Due from related companies	**164**	164
Dividend payable to non-controlling shareholders of a subsidiary	**63**	63

As at 31 December 2019, the amounts of approximately RMB11,000 (2018: RMB11,000) and RMB153,000 (2018: RMB153,000) were due by 西安海升實業集團有限責任公司("海升實業") and 陝西海升現代流通有限公司 ("海升現代流通") respectively. The maximum outstanding debit balances due from 海升實業and海升現代流通 during the year ended 31 December 2019 were approximately RMB11,000 (2018: RMB11,000) and RMB153,000 (2018: RMB153,000) respectively. Mr. Gao, a director of the Company, is a controlling shareholder in 海升實業 and has beneficial interest in 海升現代流通. The amounts due are unsecured, interest-free and repayable on demand.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and the highest paid individual as disclosed in note 14, was as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	**6,546**	5,720
Post-employment benefits	**359**	353
	6,905	6,073

(c) Guarantee in respect of banking and lease facilities

During the year ended 31 December 2019, Mr. Gao (a director of the Company) and his spouse, provided personal guarantees for banking and lease facilities granted to the Group of approximately RMB1,509,907,000 (2018: RMB567,800,000) and RMB254,547,000 (2018: RMB397,432,000) respectively.

(d) Other transactions

During the year ended 31 December 2019, the Group incurred an expense of approximately RMB1,376,000 (2018: RMB1,409,000) to the spouse of Mr. Gao, a director of the Company, as her salaries and allowance.

41. CONTINGENT LIABILITIES

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:

	2019 **RMB'000**	2018 RMB'000
Security given to a bank for loan facilities utilised by a non-controlling shareholder of a subsidiary	**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, 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 (2018: Nil).

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42. SUBSIDIARIES

(a) Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2019	2018	**2019**	2018	
Wisdom Expect Investment Limited	British Virgin Islands	PRC	200 ordinary shares US$1 each	**100%**	100%	**–**	–	Investment holding
Fruit juice operation								
陝西海升果業發展股份有限公司 translated as Shaanxi Haisheng Fruit Juice Co., Ltd [(1)]	PRC	PRC	RMB185,780,000	**16.6%**	16.6%	**83.0%**	83.0%	Manufacture and sale of fruit juice concentrate
大連海升果業有限責任公司 translated as Dalian Haisheng Fresh Fruit Juice Co., Ltd. [(2)]	PRC	PRC	RMB130,000,000	**23.1%**	23.1%	**76.6%**	76.6%	Manufacture and sale of fruit juice concentrate
青島海升果業有限責任公司 translated as Qingdao Haisheng Fresh Fruit Juice Co., Ltd. [(2)]	PRC	PRC	RMB275,000,000	**25.1%**	25.1%	**74.6%**	74.6%	Manufacture and sale of fruit juice concentrate
安徽碭山海升果業有限責任公司 translated as Anhui Dangshan Haisheng Fresh Fruit Juice Co., Ltd [(2)]	PRC	PRC	RMB200,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
棲霞海升果業有限責任公司 translated as Qixia Haisheng Fresh Fruit Juice Co., Ltd [(2)]	PRC	PRC	RMB60,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
Haisheng US	USA	USA	Nil	**–**	–	**100%**	100%	Marketing and distribution of fruit juice concentrate
伊天果汁(陝西)有限公司 translated as Vitian Juice (Shaanxi) Co., Ltd [(2)]	PRC	PRC	RMB143,174,014	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate
新疆阿拉爾海升果業有限責任公司 translated as Xinjang Haisheng Fresh Fruit Juice Co., Ltd [(2)]	PRC	PRC	RMB50,000,000	**–**	–	**99.6%**	99.6%	Manufacture and sale of fruit juice concentrate

42. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2019	2018	2019	2018	
碭山海升果膠有限責任公司 translated as Dangshan Haisheng Pectin Co., Ltd [(2)]	PRC	PRC	RMB50,000,000	–	–	**99.6%**	99.6%	Manufacture and sale of pectin
清谷田園食品有限公司 translated as Edenview Food Co., Ltd [(2)]	PRC	PRC	RMB80,000,000	–	–	**99.6%**	99.6%	Manufacture and sale of bottled fruit juice
Agriculture operation								
陝西現代果業集團有限公司 translated as Shaanxi Modern Fruit Group Co., Ltd. [(2)] ("Modern Fruit")	PRC	PRC	RMB434,210,000	–	–	**58.2%**	58.2%	Investment holding and sale of apples and other fruits
寶雞海升現代農業有限公司 translated as Baoji Haisheng Modern Agriculture Co., Ltd. [(2)]	PRC	PRC	RMB100,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples and apple saplings
銅川海升現代農業有限公司 translated as Tongchuan Haisherig Modern Agriculture Co., Ltd. [(2)]	PRC	PRC	RMB60,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples and other fruits
彬縣海升現代農業有限公司 translated as Bin County Haisheng Modern Agriculture Co., Ltd. [(2)]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
咸陽海升現代農業有限公司 translated as Xianyang Haisheng Modern Agriculture Co., Ltd. [(2)]	PRC	PRC	RMB1,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples and other fruits
大連海升現代農業有限公司 translated as Dalian Haisheng Modern Agriculture Co., Ltd. [(2)]	PRC	PRC	RMB1,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples

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42. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing Direct 2019	Direct 2018	Indirect 2019	Indirect 2018	Principal activities
運城市海升農業發展有限公司 translated as Yuncheng Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB1,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples and other fruits
靈台海升現升農業有限公司 translated as Lingtai Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
淳化海升現代農業有限公司 translated as Chunhua Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
延安海升現代農業有限公司 translated as Yan'an Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
寧縣海升現代農業有限公司 translated as Ning County Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
昭通海升現代農業有限公司 translated as Zhaotong Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB25,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
洛寧海升現代農業有限公司 translated as Luoning Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB10,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
瀋陽海升現代農業有限公司 translated as Shenyang Haisheng Modern Agriculture Co., Ltd. [2]	PRC	PRC	RMB2,800,000	–	–	**58.2%**	58.2%	Plantation and sale of apples

42. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing Direct 2019	Direct 2018	Indirect 2019	Indirect 2018	Principal activities
青島海升現代農業有限公司 translated as Qingdao Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB1,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
碭山海升現代農業有限公司 translated as Dangshan Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB1,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
承德海升現代農業有限公司 translated as Chengde Haisheng Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB3,000,000	–	–	**58.2%**	58.2%	Plantation and sale of apples
昭通超越農業有限公司 translated as Zhaotong Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB341,517,206	–	–	**40.8%**	40.8%	Plantation and sale of apples
陝西超越農業有限公司 translated as Shaanxi Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB500,000,000	–	–	**99.6%**	99.6%	Investment holding and sale of apples and other fruits
寶雞超越農業有限公司 translated as Baoji Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB10,000,000	–	–	**99.6%**	99.6%	Plantation and sale of apples
彬縣海越農業有限公司 translated as Bin County Haiyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB146,000,000	–	–	**66.8%**	66.8%	Plantation and sale of apples
慶陽海越現代有限公司 translation as Qingyang Haiyue Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB70,000,000	–	–	**99.6%**	99.6%	Plantation and sale of apples and apple saplings
慶陽寧越現代農業有限公司 translated as Qingyang Ningyue Modern Agriculture Co., Ltd. (2)	PRC	PRC	RMB70,915,992	–	–	**59.8%**	59.8%	Plantation and sale of apples

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42. SUBSIDIARIES (Continued)

(a) Particulars of the principal subsidiaries as at 31 December 2019 and 2018 are as follows: (Continued)

Name of subsidiary	Place of incorporation/ registration	Principal place of operation	Particular of issued share capital	Percentage of ownership interest/voting power/ profit sharing				Principal activities
				Direct		Indirect		
				2019	2018	**2019**	2018	
洛寧超越農業有限公司 translated as Luoning Chaoyue Agriculture Co., Ltd. (2)	PRC	PRC	RMB24,767,932	**–**	–	**57.2%**	57.2%	Plantation and sale of apples
鹽城海升現代農業科技有限公司 translated asYancheng Haisheng Modern Agriculture Technology Co., ltd (2) ("Yancheng Haisheng")	PRC	PRC	RMB110,000,000	**–**	–	**50.8%**	50.8%	Plantation and sale of apples

Notes:

(1) Sino-foreign equity joint venture enterprise established in the PRC.

(2) Limited liability company registered in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

42. SUBSIDIARIES (Continued)

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

In the opinion of the directors, Modern Fruit (together with its subsidiaries) and Yanchang Haisheng have material NCI. The NCI in respect of other subsidiaries were not material to the Group. The summarised financial information below represents amounts before intragroup eliminations.

Name	Modern Fruit and its subsidiaries		Yanchang Haisheng	
	2019	2018	**2019**	2018
Principal place of business/country of incorporation	**PRC/PRC**		**PRC/PRC**	
% of ownership interests/voting rights held by NCI	**41.75%/ 41.75%**	41.75%/ 41.75%	**49.20%/ 49.20%**	49.20%/ 49.20%
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 31 December:				
Non-current assets	**1,236,823**	785,675	**189,188**	48,951
Current assets	**577,556**	425,001	**142,262**	62,558
Non-current liabilities	**(399,882)**	(350,182)	**(130,000)**	–
Current liabilities	**(628,976)**	(212,440)	**(12,838)**	(731)
	785,521	648,054	**188,612**	110,778
Accumulated NCI	**382,846**	299,779	**94,661**	54,500
Year ended 31 December:				
Revenue	**463,777**	287,381	**47**	26
Profit/(loss)	**89,967**	(14,345)	**490**	777
Total comprehensive income	**89,967**	(14,345)	**490**	777
Profit/(loss) allocated to NCI	**35,568**	(6,207)	**(220)**	382
Net cash generated from/(used in) operating activities	**78,244**	68,705	**(182,570)**	(23,891)
Net cash used in investing activities	**(333,047)**	(162,989)	**(60,546)**	(23,473)
Net cash generated from financing activities	**225,805**	140,888	**208,770**	84,500
Net (decrease)/increase in cash and cash equivalents	**(28,998)**	46,604	**(34,346)**	37,136

As at 31 December 2019, the pledged bank deposits and bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB299,904,000 (2018: RMB618,145,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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43. EVENTS AFTER THE REPORTING PERIOD

(a) On 16 January 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement I") with 古浪縣扶貧產業開發有限公司 ("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 company in the PRC (the "JV Company I") with a registered capital of RMB40,000,000 and each of Shaanxi Chaoyue and Gulang Poverty Alleviation has agreed to contribute to the registered capital of the JV Company I at approximatly RMB32,000,000 and RMB8,000,000, respectively. Upon the completion of the capital contributions, the JV Company I will be owned as to 80% and 20% by Shaanxi Chaoyue and Gulang Poverty Alleviation respectively.

(b) On 17 March 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement II") with 寧縣聚農蘋果產業資金專業合作社 ("Ningxian Junong"), 寧縣金農農業扶貧開發有限公司 ("Ningxian Jinnong") and 寧縣果業局 ("Fruit Industry Bureau"), save for Ningxian Junong was a substantial shareholder of an indirect non-wholly owned subsidiary of the Company, Ningxian Jinnong and Fruit Industry Bureau were independent third parties at the time of the Agreement II, pursuant to which Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and Fruit Industry Bureau have agreed to establish a company in the PRC (the "JV Company II") with a registered capital of RMB50,000,000 and each of Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and Fruit Industry Bureau has agreed to contribute to the registered capital of the JV Company II at approximately RMB39,000,000, RMB2,000,000, RMB3,000,000 and RMB6,000,000, respectively. Upon the completion of the capital contributions, the JV Company II will be owned as to 78%, 4%, 6% and 12% by Shaanxi Chaoyue, Ningxian Junong, Ningxian Jinnong and Fruit Industry Bureau respectively.

(c) On 16 April 2020, Shaanxi Chaoyue, a non-wholly owned subsidiary of the Company, entered into a joint venture agreement (the "Agreement III") with 綏江縣中春農業綜合開發有限公司 ("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 company in the PRC (the "JV Company III") with a registered capital of RMB30,000,000 and each of Shaanxi Chaoyue and Zhongchun Agriculture has agreed to contribute to the registered capital of the JV Company III at approximately RMB21,000,000 and RMB9,000,000, respectively. Upon the completion of the capital contributions, the JV Company III will be owned as to 70% and 30% by Shaanxi Chaoyue and Zhongchun Agriculture respectively.

(d) On 7 May 2020, 威寧超越農業有限公司 ("Weining Chaoyue"), a non-wholly-owned subsidiary of the Group, entered into a joint venture agreement (the "Agreement IV") with 昭通市昭陽區農業投資發展有限公司 ("Zhaoyang Agriculture"), a non-controlling shareholder of an indirect non-wholly subsidiary of the Company, pursuant to which Weining Chaoyue and Zhaoyang Agriculture have agreed to establish a company in the PRC (the "JV Company IV") with a registered capital of RMB50,000,000 and each of Weining Chaoyue and Zhaoyang Agriculture has agreed to contribute to the registered capital of the JV Company IV at approximately RMB15,000,000 and RMB35,000,000, respectively. Upon the completion of the capital contributions, the JV Company IV will be owned as to 30% and 70% by Weining Chaoyue and Zhaoyang Agriculture respectively.

(e) After the coronavirus outbreak in early 2020, a series of precautionary and control measures has been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the effect to business and economic activities caused by, the coronavirus outbreak and evaluating its impact on the Group. Given the uncertainties brought by the coronavirus outbreak, it is not practicable to provide a reasonable estimate of its financial effect on the Group's financial position, cash flows and operating results at the date of approval of these consolidated financial statements.