

2021



INTERIM REPORT

海升集團 2021 Interim Report

HAISHENG

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

Stock Code:359

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Corporate Information

Stock Code

359

Executive Directors:

Mr. Gao Liang (*Chairman*)
Mr. Wang Yasen
Mr. Qu Binglian
(appointed on 5 February 2021)
Mr. Wang Linsong
(resigned on 4 February 2021)
Mr. Wang Junqing
(resigned on 19 August 2021)

Independent non-executive directors:

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

Company Secretary

Mr. Terence Sin Yuen Ko, FCCA

Authorised Representatives

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

Audit Committee Members

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

Remuneration Committee Members

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

Nomination Committee Members

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

Registered Office

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Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Website Address

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Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

Agriculture Bank of China
The Export-Import Bank of China

HIGHLIGHTS

- For the six months ended 30 June 2021, the Group's unaudited turnover increased from approximately RMB425.1 million to approximately RMB522.0 million, representing an increase of approximately 22.8% over the same period of last year.
- For the six months ended 30 June 2021, the Group's unaudited loss attributable to owners of the Company increased from approximately RMB85.8 million to approximately RMB165.9 million, representing an increase of approximately 93.4% over the same period of last year.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

Management Discussion and Analysis

Financial review

The Board announces that, for the six months ended 30 June 2021, the Group recorded an unaudited turnover of approximately RMB522.0 million, representing an increase of approximately 22.8% over the same period of last year. Gross profit margin for the six months ended 30 June 2021 was approximately 18.2%, as compared with 21.4% for the same period of last year. The Group's unaudited loss attributable to owners of the Company increased from approximately RMB85.8 million to approximately RMB165.9 million, representing an increase of approximately 93.4% over the same period of last year.

For the period under review, turnover increased by approximately 22.8% to approximately RMB522.0 million. Such increase was mainly attributable to the increase in yield of fruits, resulting an increase in revenue.

For the period under review, the gross profit margin of the Group decreased from approximately 21.4% to approximately 18.2% which was mainly attributable to impact of the pandemic, resulting the unit selling price decreased.

Other income decreased by approximately 34.6% to approximately RMB63.1 million. Such decrease was mainly attributable to reduction of government subsidies.

For the period under review, other gains and losses changed from net gain of approximately RMB3.1 million in the same period of last year to net loss of approximately RMB51.1 million during the period of this year, which was mainly attributed to the loss on disposal of a total of approximately RMB51.1 million of property, plant and equipment and bearer plants.

Distribution costs increased by approximately 10.9% to approximately RMB111.7 million during the period under review. Such increase was mainly attributable to increase in expenses corresponding to the increase in sales revenue.

Finance costs of the Group amounted to approximately RMB101.4 million in the period under review, representing an increase of approximately 29.7% over the same period of last year. The increase is attributable to the increase in bank and other borrowings.

Management Discussion and Analysis

As a result of the foregoing, the Group's unaudited loss attributable to owners of the Company increase from approximately RMB85.8 million to approximately RMB165.9 million, representing an increase of approximately 93.4% over the same period of last year.

Liquidity, financial resources, capital structure and gearing

The treasury policy of the Group is centrally managed and controlled at the corporate level. As at 30 June 2021, the Group's bank and other borrowings, bills payable and lease liabilities amounted to approximately RMB7,106.2 million (as at 31 December 2020: RMB6,382.3 million), among which, approximately RMB3,246.7 million were secured by way of charge on the Group's assets. Approximately RMB1,956.6 million of the sum were due within one year and approximately RMB1,989.9 million of the sum were due within two to five years. The whole sum were denominated in RMB.

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank loans	3,981,795	3,686,391
Other borrowings	773,977	648,579
Loan from government	650,084	636,671
Bills payable	87,000	79,675
Lease liabilities	1,613,393	1,330,992
	7,106,249	6,382,308

Among the bank loans, other borrowings and loan from government, approximately RMB3,203 million of the sum were fixed-rate borrowings while approximately RMB2,203 million were variable-rate borrowings. The interest rate for the variable-rate borrowings is based on London Interbank Offered Rate/The People's Bank of China Base Lending Rate plus a margin for both years.

Management Discussion and Analysis

As at 30 June 2021, the cash and bank balances including pledged bank deposits amounted to approximately RMB244.7 million (as at 31 December 2020: RMB285.1 million).

The Group monitors capital using gearing ratio, which is net debt divided by the total equity. Net debt is calculated as bank loans, loan from government, bills payable, other borrowings and lease liabilities less pledged bank deposits and cash and cash equivalents as shown in the consolidated statement of financial position. Total equity comprises all components of equity. The Group aims to maintain the gearing ratio at a reasonable level. At 30 June 2021, the gearing ratio was 329.2%.

Significant investments held and material acquisition and disposals

There were no significant investments held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures as of 30 June 2021.

Capital commitments

As at 30 June 2021, the Group has approximately RMB317.0 million capital commitments (as at 31 December 2020: RMB403.8 million).

Exposure to fluctuations in exchange rates

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

Pledge of assets

As at 30 June 2021, the Group pledged property, plant and equipment, bearer plants, prepaid lease payments, pledged bank deposits, inventories and value added tax recoverable for security of the Group's borrowings and obligation under finance lease with carrying account of approximately RMB2,565.8 million (as at 31 December 2020: RMB2,268.2 million).

Management Discussion and Analysis

Contingent Liabilities

(a) Financial guarantee issued

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

	30 June 2021 RMB'000	31 December 2020 RMB'000
Security given to a bank for loan facilities utilised by a non-controlling shareholder of a subsidiary	30,000	30,000

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

The fair value of the guarantee at date of inception is not material and is not recognised in the consolidated financial statements. At 31 December 2020 and 30 June 2021, 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 (2020: Nil).

Management Discussion and Analysis

(b) Litigation

In the current period, certain suppliers and constructors initiated legal proceedings against the Group demanding repayment of outstanding trade payables and other payables and short-term borrowings of approximately RMB7,847,000, RMB9,862,000 and RMB20,953,000 respectively. The unsettled amounts were fully accrued in trade and other payables, remain outstanding and short-term borrowings as at 30 June 2021. Aggregate bank deposits of RMB2,051,000 were frozen by the court. In the opinion of the Directors, the impact of penalties or overdue interest arising from the pending legal proceedings is insignificant and therefore not recognised in the consolidated financial statements.

Future plans for material investments and capital assets

At 30 June 2021, the Group did not have other plans for material investments or capital assets.

Business review

Fruit drink processing

The novel coronavirus (“COVID-19”) pandemic had a large impact on the global economy for nearly two years. Despite various domestic industries have recovered gradually, the pandemic continued overseas, especially in the United States, Europe and Russia, which led to the significant decrease in demands of concentrated juice in relevant markets. Meanwhile, the pandemic affected the global shipment industry, which caused a significant decrease in the number of ships available for export shipment, soaring freight in multiple shipping routes and extended the delivery time, resulting in a substantial impact on exporting business.

The management of the Group analysed the current industry condition proactively, expanded the product catalog continuously, and adjusted its market structure. By communication and cooperation with domestic food and beverage manufacturers, in-depth exploration of demands for non-mainstream fruit juice in the domestic market, the Group has proactively responded to the policy objective, launched by the Ministry of Commerce, for strengthening the internal circulation in domestic market. Meanwhile, the Group has deployed multiple channels in mainstream products which had assured the fundamental for strategic reforms in processing.

Management Discussion and Analysis

After the pandemic, domestic customers are more interested in more nutritious and healthy products, and the sales of pectin products of the Company thus have a better performance. During the Reporting Period, the sale revenue of pectin products of the Group increased approximately 20% as compared with the same period of last year. Regarding end-user drinks, the Group has developed creative “Yi & Friends” product on the basis of existing brands of “Eden View”, “Pure Twig” and “Language of Fruit”, to create the health products concept with lactobacillus as its core, fulfilling the needs of different groups of customers. In addition, the Group has set up the strategy of combining “online promotion” and “offline operation”, which keeps on increasing our brand exposure and deepening customers’ brand recognition.

Modernised agriculture

The Group has expanded its agricultural business for years, the revenue related to agriculture increased rapidly over the years as the area of farmlands increased and the fruit trees became mature. The Group integrated high quality asset resources and constantly enhanced productivity on the basis of improving planting technique and management standard.

During the Reporting Period, regarding field planning, by empowering the standardisation of product output through plant protection management, irrigation management and risks prevention and control, the yields per acre of bases (such as apples, carrots and citruses) have been significantly increased. At the same time, the Group strengthened the work on growing new varieties and introduction of seedlings, closely cooperated with various colleges, and obtained the license for production and operation of the “Qin Crisp” variety of the Northwest A&F University. Regarding the breeding of seedlings, the nurseries (of varieties such as apples, citruses) adjusted their varieties structure in accordance with the market preference and continue to enhance the breeding efficiency and productivity. After harvesting, the Group stored and sold products with classification and sorting through construction of sorting lines and cold storage facility, which secured the quality and non-interrupted supply of products effectively. Regarding facility agriculture, the Group maintained its leading position in the industry by strengthening variety optimisation and technological improvement of existing greenhouses, which enhanced the unit production capacity steadily and assured the stable supply of “Pure Twig” tomato in different channels.

Management Discussion and Analysis

Along with the gradual increase of yield of agricultural products over the years, based on the stable, traditional sales channels, the Group proactively tried to expand emerging sales channel by cooperation with top class broadcaster “Viya” in sales of products through livestreaming, and promotion and sales of products through platforms such as Xiaohongshu and TikTok, and achieved great results.

Prospect

In the second half of 2021, the economic environment in overseas remains complicated, and China’s economy has entered the phase of stable operation with demand side of different industries and markets started to recover. In the fruit juice processing industry, the Group will continue to pay attention to the movement of products within the market and industry, follow the internal circulation development strategy, further develop related high value-added products and enhance the profitability of the fruit juice segment. In agriculture, the Group will maintain the development path of upholding both scale benefit and efficiency enhancement, continue the optimisation of resources allocation, enhance production efficiency and create value for shareholders in a sustainable manner.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended at 30 June 2021.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") in the Listing Rules, were as follows:

Other Information

Long position

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

Notes:

1. As at 30 June 2021, the 459,061,238 Shares were held by Think Honour International Limited (“Think Honour”), the entire issued share capital of which was held by Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 459,061,238 Shares held by Think Honour by virtue of the SFO.
2. As at 30 June 2021, the 4,724,660 shares were held by Ms. Xie Haiyan who is the spouse of Mr. Gao Liang. Accordingly, Mr. Gao Liang was deemed to be interested in the 4,724,660 Shares held by Ms. Xie Haiyan.
3. The percentage was compiled based on the total number of issued shares of the Company as at 30 June 2021 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporation that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, the interests and short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

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

Other Information

Notes:

1. Ms. Xie Haiyan is the spouse of Mr. Gao Liang. Ms. Xie Haiyan is deemed to be interested in the 467,661,238 shares in which Mr. Gao Liang is deemed to be interested by virtue of the SFO.
2. The entire issued share capital of Think Honour was held by Mr. Gao Liang.
3. Tiandi Win-Win Investment Management Co., Limited is a wholly-owned subsidiary of Shenzhen Tiandi Win-Win Investment Management Co., Limited which is a wholly-owned subsidiary of Tiandi Yihao Beverage Co., Ltd. Pursuant to the SFO, Shenzhen Tiandi Win-Win Investment Management Co., Limited and Tiandi Yihao Beverage Co., Ltd. are deemed to be interested in the 227,996,000 Shares held by Tiandi Win-Win Investment Management Co., Limited.
4. The percentage was compiled based on the total number of issued shares of the Company as at 30 June 2021 (i.e. 1,289,788,000 ordinary shares).

Save as disclosed above, as at 30 June 2021, the Directors or chief executive of the Company were not aware of any other person or parties having an interest and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Corporate Governance Practices

During the six months ended 30 June 2021, The Company has complied, saved for the deviations discussed below, with the principles and provisions as set out in the code provisions contained in the Corporate Governance Code (which is set out in the Appendix 14 of the Listing Rules) by establishing formal and transparent procedures to protect and maximise the interests of shareholders of the Company during the period under review.

Code Provision A.2.1 providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals. 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.

Compliance of the Model Code for Securities

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

Directors' Interests in a Competing Business

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

Staff and Remuneration Policies

As at 30 June 2021, the Group had 2,547 (as at 31 December 2020: 2,830) employees. The Group mainly determines staff remuneration in accordance with market terms and individual qualifications.

The emoluments of the Directors are reviewed and recommended by the remuneration committee, and decided by the Board, as authorised by the shareholders at the annual general meeting, in accordance with the Group's operating results, individual performance and comparable market statistics.

Review of Results by audit committee

The unaudited interim results for the six months ended 30 June 2021 was reviewed by the audit committee of the Company.

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

Xi'an, the People's Republic of China, 31 August, 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	NOTES	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		RMB'000	RMB'000
Revenue	4	521,999	425,055
Cost of sales		(427,178)	(334,203)
Gross profit		94,821	90,852
Other income		63,127	96,516
Other gains and losses		(51,025)	3,104
Impairment losses for trade receivables		–	(1,815)
Change in fair value due to biological transformation		70,220	43,056
Distribution and selling expenses		(111,793)	(100,817)
Administrative expenses		(115,541)	(113,537)
Other operating expenses		(12,155)	(23,751)
Finance costs		(101,436)	(78,217)
Share of results of associates		(31)	(11)
Share of results of joint ventures		(164)	–
Loss before taxation		(163,977)	(84,620)
Taxation	6	(466)	(3,938)
Loss for the period	7	(164,443)	(88,558)
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(550)	(158)
Other comprehensive expense for the period		(550)	(158)
Total comprehensive expense for the period		(164,993)	(88,716)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

		(Unaudited)	
		Six months ended 30 June	
		2021	2020
	NOTES	RMB'000	RMB'000
Loss for the period attributable to:			
Owners of the Company		(165,928)	(85,797)
Non-controlling interests		1,485	(2,761)
		(164,443)	(88,558)
Total comprehensive expense attributable to:			
Owners of the Company		(166,478)	(85,955)
Non-controlling interests		1,485	(2,761)
		(164,993)	(88,716)
Dividends	8	–	–
Loss per share (RMB cents)			
Basic and diluted	9	(12.86) cents	(6.65) cents

Condensed Consolidated Statement of Financial Position

At 30 June 2021

		30 June 2021 (Unaudited) <i>RMB'000</i>	31 December 2020 (Audited) <i>RMB'000</i>
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment	10	5,287,851	4,692,137
Right-of-use assets		1,878,155	1,997,575
Bearer plants	11	2,152,262	2,053,820
Investments in associates		15,459	15,879
Investment in joint ventures		336	500
Biological assets		90,546	85,686
Prepayments for acquisition of bearer plants		12,473	37,780
Deposits for acquisition of property, plant and equipment		206,891	225,482
Total non-current assets		9,643,973	9,108,859
CURRENT ASSETS			
Biological assets		22,102	42,592
Inventories	12	838,933	730,133
Trade and other receivables	13	593,785	530,210
Due from related companies		164	164
Restricted bank deposits		59,597	60,085
Cash and cash equivalents		185,061	226,262
Total current assets		1,699,642	1,589,446
CURRENT LIABILITIES			
Trade and other payables	14	1,880,757	1,860,272
Bills payables		87,000	79,675
Current tax liabilities		365	780
Dividend payable to non-controlling shareholders of a subsidiary		4,063	63
Bank and other borrowings		2,453,154	1,956,578
Lease liabilities		162,943	113,781
Deferred government grants		5,208	14,311
Total current liabilities		4,593,490	4,025,460

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
NOTES		
Net current liabilities	(2,893,848)	(2,436,014)
Total assets less current liabilities	6,750,125	6,672,845
NON-CURRENT LIABILITIES		
Bank and other borrowings	2,952,702	3,015,063
Lease liabilities	1,450,450	1,217,211
Deferred government grants	228,833	215,045
Deferred tax liabilities	34,129	34,129
Total non-current liabilities	4,666,114	4,481,448
NET ASSETS	2,084,011	2,191,397
CAPITAL AND RESERVES		
Equity attributable to owners of the Company		
Share capital	13,296	13,296
Reserves	864,944	1,004,709
	878,240	1,018,005
Non-controlling interests	1,205,771	1,173,392
TOTAL EQUITY	2,084,011	2,191,397

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to Owners of the Company											
	Share capital		Share premium	Share option reserve	Special reserve	Translation reserve	Statutory surplus reserve	Other reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	13,296	212,838	-	258,722	35	267,580	(14,495)	280,029	1,018,005	1,173,392	2,191,397	
Loss for the period (unaudited)	-	-	-	-	-	-	-	(165,928)	(165,928)	1,485	(164,443)	
Exchange differences arising on translation of foreign operations (unaudited)	-	-	-	-	(550)	-	-	-	(550)	-	(550)	
Total comprehensive income/ (expense) for the period (unaudited)	-	-	-	-	(550)	-	-	(165,928)	(166,478)	1,485	(164,993)	
Contribution from minority shareholder of subsidiaries (unaudited)	-	-	-	-	-	-	26,713	-	26,713	30,894	57,607	
Change in ownership interest in subsidiaries without loss of control (unaudited)	-	-	-	-	-	-	-	-	-	-	-	
Appropriated from accumulated profits (unaudited)	-	-	-	-	-	-	-	-	-	-	-	
At 30 June 2021 (unaudited)	13,296	212,838	-	258,722	(515)	267,580	12,218	114,101	878,240	1,205,771	2,084,011	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(227,157)	208,436
Net cash used in investing activities		
Purchases of property, plant and equipment	(229,547)	(527,472)
Purchases of bearer plants	(30,276)	(443,135)
Payments for right-of-use assets	–	(135,557)
Decrease in pledged bank deposits	488	88,511
Other investing activities	12,520	5,776
	(246,815)	(1,011,877)
Net cash generated from financing activities		
New bank and other borrowings raised	908,947	1,279,784
Repayment of bank and other borrowings	(474,732)	(266,002)
Payments of lease liabilities	–	(79,261)
Capital contributions from non-controlling interests	57,607	202,244
Interest paid on bank and other borrowings	58,793	(108,030)
Other financing activities	–	–
	433,029	1,028,735
(Decrease)/increase in cash and cash equivalents	(40,943)	225,294
Effect of foreign exchange rate changes	258	134
Cash and cash equivalent at 1 January	226,262	170,972
Cash and cash equivalent at 30 June, representing bank balances and cash	185,061	396,400

1. GENERAL

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

The Company is an investment holding company while its subsidiaries are principally engaged in (i) the manufacture and sale of fruit juice concentrate and related products and (ii) plantation and sale of apples, apple saplings and other fruits.

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

2. PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

a) Basis of preparation

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

b) Going concern

The Group incurred an unaudited net loss of approximately RMB165,928,000 during the period ended 30 June 2021 and, as of that date, the Group had unaudited net current liabilities of approximately RMB2,893,848,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in normal course of business.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

The Group continues to adopt the going concern basis in preparing these condensed consolidated interim financial statements. The Group meets its day-to-day working capital requirements through its bank facilities. Most of the bank borrowings as at 30 June 2021 that are repayable within the next 12 months are subject to renewal and the directors are confident that these borrowings can be renewed upon expiration based on the Group's past experience and credit history.

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the financial year ended 31 December 2020, except for the adoption of the standards, amendments and interpretations issued by the IASB mandatory for annual periods beginning 1 January 2021. The effect of the adoption of these standards, amendments and interpretations was not material to the Group's results of operations or financial position.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

4. REVENUE

The following is analysis of the Group's revenue for the six months ended 30 June 2021:

	Revenue from external customers (Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of fruit juice concentrate and related products	118,698	205,672
Sale of apples, apple saplings and other fruits	403,301	219,383
	521,999	425,055

5. SEGMENT INFORMATION

The Group has two operating segments as follows:

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

Information about operating segment profit or loss:

	Fruit juice operation (Unaudited)		Agriculture operation (Unaudited)		Total (Unaudited)	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue						
Revenue from external customers	118,698	205,672	403,301	219,383	521,999	425,055
Intersegment revenue	-	-	-	155	-	155
Reportable segment revenue	118,698	205,672	403,301	219,538	521,999	425,210
Less: intersegment revenue					-	(155)
Consolidated revenue					521,999	425,055
Segment results	(46,414)	(56,361)	(51,763)	(29,898)	(98,177)	(86,259)
Other income					63,127	96,516
Share of loss of associates					(31)	(11)
Share of loss of joint ventures					(164)	-
Unallocated amounts:						
Other gains and losses					(11,319)	-
Administrative expenses					(15,977)	(16,649)
Finance costs					(101,436)	(78,217)
Consolidated loss before tax					(163,977)	(84,620)

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

Geographical information:

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

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

	Revenue from external customers		Non-current assets	
	(Unaudited)		(Unaudited)	(Audited)
	Six months ended 30 June		30 June	31 December
	2021	2020	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
United States of America (the "USA")	5,198	35,124	1,118	1,062
Canada	–	1,436	–	–
PRC	486,801	306,416	9,642,855	9,107,797
South Africa	–	89	–	–
Saudi Arabia	226	8,561	–	–
Japan	12,243	49,385	–	–
Australia	142	587	–	–
Russia	8,219	8,551	–	–
Others	9,170	14,906	–	–
	521,999	425,055	9,643,973	9,108,859

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

Information about major products:

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Apple juice	15,306	112,357
Other juice	103,392	93,315
Fresh fruits	277,541	204,480
Apple saplings	76,873	6,260
Others	48,887	8,643
	521,999	425,055

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.

6. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income tax ("EIT")	450	3,928
Other jurisdiction	16	10
	466	3,938
Deferred tax	—	—
	466	3,938

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

The Company is not subject to taxation in the Cayman Islands, which does not levy tax on the income of the Company. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, the PRC subsidiaries enjoy a preferential tax rate of 15% for 2019 and 2020. The PRC subsidiaries need to apply for the preferential tax rate every year. The PRC subsidiaries will need to apply for the preferential tax rate for 2021.

According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in fruit juice operation of the Group in the PRC are exempted from EIT on profits derived from preliminary processing of agriculture products for the years ended 31 December 2019 and 2020, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. The PRC subsidiaries will need to apply for the exemption of EIT for 2021.

According to relevant EIT Law and Implementation Regulation of the EIT Law, certain subsidiaries in agriculture operation of the Group in the PRC are exempted from EIT on profits derived from fruits cultivation for the years ended 31 December 2019 and 2020, subject to annual review by the local PRC tax authority of the Company's subsidiaries and any future changes in the relevant tax exemption policies or regulations. The PRC subsidiaries will need to apply for the exemption of EIT for 2021.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

7. LOSS FOR THE PERIOD

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Directors' emoluments	1,145	1,193
Salaries, wages and other benefits	181,647	160,202
Retirement benefits scheme contributions	16,144	10,409
Share-based payment expenses	–	–
Total staff costs	198,936	171,804
Less: staff costs capitalised into inventories	(17,463)	(13,188)
Less: staff cost capitalised into cost of bearer plant	(40,564)	(32,739)
	140,909	125,877
Amortisation of right-of-use assets	25,123	20,829
Less: amount capitalised into cost of bearer plants/biological assets	(25,123)	(20,829)
	–	–
Depreciation of property, plant and equipment	72,732	67,674
Less: amount capitalised into cost of bearer plants/biological assets	(29,353)	(24,913)
	43,379	42,761
Operating lease charges for land and buildings	–	–
Depreciation of bearer plants	19,081	10,374
Cost of inventories sold	427,178	334,203
Loss on disposals of property, plant and equipment	21,820	6,518
Loss on disposals of bearer plants	29,587	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the unaudited loss for the period attributable to owners of the Company of approximately RMB165,928,000 (2020: RMB85,797,000) and the weighted average number of ordinary shares of 1,289,788,000 (2020: 1,289,788,000) in issue during the period.

As there are no dilutive potential ordinary shares as at 30 June 2020 and 30 June 2021, the diluted loss per share is equal to the basic loss per share.

10. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group incurred approximately RMB229,547,000 on acquisition of property, plant and equipment.

11. BEARER PLANTS

During the period under review, the Group incurred approximately RMB30,276,000 on acquisition of bearer plants.

12. INVENTORIES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Raw materials and consumables	193,072	293,355
Work in progress	114,998	69,757
Finished goods	530,863	367,021
	838,933	730,133

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

13. TRADE AND OTHER RECEIVABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade receivables	170,410	239,846
Less: allowance for doubtful debts	(10,680)	(9,976)
	159,730	229,870
Bills receivable	–	1,462
Value added tax recoverable and other tax recoverable	46,814	47,964
Receivable from disposal of saplings	–	–
Advances to suppliers	59,583	71,282
Other receivables, deposits and prepayments	327,658	179,632
	593,785	530,210

Note: As at 30 June 2021, value added tax recoverable and deposit and other receivables of approximately RMBNil (31 December 2020: RMBNil) and RMBNil (31 December 2020: RMBNil) were pledged as securities for lease liabilities and bank and other borrowings respectively.

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	131,239	202,031
91-180 days	17,540	10,822
181 to 365 days	8,201	9,632
Over 1 year	2,750	7,385
	159,730	229,870

14. TRADE AND OTHER PAYABLES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Trade payables	672,939	644,250
Payable for acquisition of property, plant and equipment	346,381	450,773
Contract liabilities	143,177	124,486
Accrued salaries	114,683	89,057
Accrued interest	13,358	36,349
Value added tax and other tax payables	6,877	7,876
Other payables and accruals	583,342	507,481
	1,880,757	1,860,272

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2021

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 to 90 days	277,763	290,184
91-180 days	76,366	76,257
181 to 365 days	128,801	87,914
Over 1 year	190,009	189,895
	672,939	644,250

15. CAPITAL COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Property, plant and equipment	259,084	290,396
Bearer plants	5,434	27,106
Capital contribution to an associate	441	33,810
Capital contribution to a joint venture	52,000	52,500
	316,959	403,812