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China Haisheng Juice Holdings Co., Ltd.

中國海升果汁控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0359)

INSIDER INFORMATION

PRE-RESTRUCTURING OF THE CORE CHINA SUBSIDIARIES

This announcement is made by China Haisheng Juice Holdings Limited (the “**Company**”, Together with its subsidiaries collectively referred to as the “**Group**”) under Section 13.09(2)(a) of the Securities Listing Rules of the Stock Exchange of Hong Kong Limited (“**SEHK**”) (the “**Listing Rules**”) and the Inside Information provisions (as defined in the Listing Rules) under Section XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

The Board of Directors (the “**Directors**”) of the Company (the “**Board**”) announces that shaanxi Haisheng Fruit Industry Development Co., LTD. (“**Haisheng Fruit**”), an absolutely controlling subsidiary of the Company, has, as of 1 March 2022 (after the trading session), A pre-restructuring application (the “**Pre-restructuring**”) was filed with the Intermediate People’s Court of Xi ‘an, Shaanxi Province, PRC (the “**Court**”), requesting the Court to allow Haisheng Fruit To develop a pre-restructuring plan to resolve its debt situation. We understand that pre-restructuring aims to determine enterprise value, save time and cost and improve the success rate of restructuring. At the discretion of the Court, pre-restructuring may involve the appointment of an interim administrator (the “**Interim Administrator**”), the introduction of a restructuring investor and the coordination of consultations among interested parties, including creditors, financiers and restructuring investors, to develop a pre-restructuring plan. It is the Company’s understanding that, pending the conclusion of the pre-restructuring, Haisheng Fruit is able to continue its business operations with its existing resources under the management of its existing board of Directors and under the supervision of the interim management.

As of the date of this announcement, the court has ruled to accept the pre-restructuring application of Haisheng Fruit And appointed a temporary administrator.

Information on Haisheng Fruit Company

Haisheng Fruit Is a limited company established in the People’s Republic of China (“**PRC**”), a direct and absolute holding subsidiary of the company. The main business of the company is divided into fruit juice processing (“**industrial sector**”) and fruit cultivation (“**agricultural sector**”). Mainly engaged in concentrated apple juice and other drinks production, processing and sales; Apple, string eggplant, blueberry and other overseas high-quality varieties of seedlings introduced planting business. According to the audited accounts of Haisheng Fruit based on GAAP in China, the annual income and profit of Haisheng Fruit for the year ended December 31, 2020 were RMB1,240,114,805.80 and RMB52,514,915.55 respectively, The total assets and liabilities are RMB9,715,862,659.41 and RMB7,215,999,334.28 respectively.

The above assets and liabilities are audited as at 31 December 2020. The directors note that due to the further deterioration of Haisheng Fruit’s business, financial position and liquidity in 2021, based on the unaudited management accounts, Haisheng Fruit has fallen into a low net asset value position in the second half of 2021. The directors stressed that they are still working on the latest accounts with the assistance of independent valuation and accounting firms in China. The company will issue a separate announcement when the updated financial data of Haisheng fruit industry is confirmed.

The case for pre-reforming

Since the company’s concentrated apple juice business is almost entirely dependent on export, the Sino-US trade friction since 2018, the US government’s imposition of tariffs on China’s export concentrated apple juice and the outbreak of COVID-19 since 2020 have seriously affected the company’s export business, resulting in insufficient operation and idle equipment. In addition, the company’s early-stage investment in the planting sector was too fast, interest-bearing liabilities rose sharply, and agricultural planting has a long payback period and is greatly affected by climate, leading to heavy pressure on the operation and financial situation of Haisheng fruit industry, and a shortage of working capital. Given the continuing situation of Sino-US trade relations and the COVID-19 epidemic, the group’s juice export business volume is not expected to improve significantly in the foreseeable future. In view of the idle capacity in the juice processing sector of the Group as a whole, the financial situation of planting fruit trees has not been fully productive and the company is facing heavy debt burden, the directors believe that without debt restructuring, the business situation of Haisheng Fruit industry will continue to deteriorate. The outcome of the pre-restructuring is uncertain as it may depend on a number of factors, including macroeconomic factors, the company’s audited accounts, the attitude of creditors and the successful introduction of restructuring investors. However, the purpose of pre-restructuring is to make Haisheng fruit industry regain vitality, preserve value for relevant stakeholders, and hope to take into account the welfare of employees out of social responsibility.

Pre-restructuring of the group's impact

As disclosed in the 2020 Annual report of the Company, the group recorded annual gains and losses of RMB1,195,126,000 and RMB107,519,000 respectively for the year ended December 31, 2020. As of December 31, 2020, The total assets and liabilities were RMB10,698,305,000 and RMB8,506,908,000 respectively. Based on pure figures (only to offset inter-company sales but without any other adjustment), Haisheng Fruit accounted for about 103.76% of the group's income and 140.84% of its annual loss for the year ended December 31, 2020; Total assets 90.82% and total liabilities 84.83%. The Company would like to emphasize that these percentages are for illustrative purposes only and do not take into account all necessary adjustments (including those due to consolidation or differences in accounting standards).

The group is an agricultural enterprise engaged in concentrated fruit juice, beverage processing and sales and fruit planting, with its own brand and wholesale distribution network. The specific businesses of the group can be divided into:(a) juice and beverage processing, with 11 factories; And (b) 59 apple planting bases, distributed in the main production areas of apple in China; (c) 13 citrus bases, mainly distributed in Sichuan and Guangxi province; (d) 8 berry bases; (e) Four vegetable bases; (f) 7 facilities agricultural glass greenhouse bases, mainly distributed in Gansu province. In 2019 and 2020, all the profits of Haisheng Fruit industry come from the sales of concentrated juice, beverage and fruit, which are divided into B2B and B2C two categories. The 2B clients include Coca-Cola, Best Cola, Nestle and other brand enterprises. 2C distribution channels mainly include domestic major KA supermarkets, boutique chains, distribution wholesale and e-commerce platforms and company-owned stores, and finally reach consumers.

Due to the trade tensions between China and the United States and the impact of COVID-19 since 2018, the group's factories have underutilized their overall capacity and reduced their business volume. The Group has managed to maintain its operation through partial self-production and partial OEM processing. However, due to the reasons mentioned above, the agricultural planting sector has not yet achieved high yield, coupled with the low consumption and high financial cost under the COVID-19 pandemic, resulting in the unfavorable situation of income without profit, profit without cash flow. However, the assets of the Group are of high quality. The single products of the group, such as low-stock densely planted apples, blueberries and string eggplant of facility agriculture, all rank first in China, which has good development potential and is an important starting point for local governments to implement the national rural revitalization strategy. At present, the company is actively negotiating with external restructuring investors and creditors to discuss investment matters and debt disposal plan.

The Company would like to stress that the pre-restructuring process is expected to take at least several months from commencement. As stated above, Haisheng Fruit is able to continue its business operations with its existing resources under the management of its existing board of Directors and under the supervision of its interim management, pending the conclusion of the pre-restructuring. Haisheng Fruit Is expected to go into liquidation only at the end of the implementation phase of the pre-restructuring program, or if the pre-restructuring program fails.

Definition of listing Rules

The company has been advised by its Chinese legal counsel that:(a) the pre-restructuring is not expected to result in an immediate loss of control of Shaanxi fruit industry by the group; And (b) The interim manager has no power or authority to adopt the restructuring plan without the consent of Haisheng Fruit or its holding company. In view of this, the directors believe that if the pre-restructuring scheme is in place in due course, there is an opportunity for the Company to comply with the listing rules, including the announcements, circulars and shareholder approval requirements for publicised transactions. If the pre-restructuring scheme involves the cancellation of the merger, the Company expects that the transaction may constitute a material sale of the Company under Chapter 14 of the Listing Rules. If there is any material progress in the pre-restructuring of Haisheng Fruit, we will issue a separate announcement in due course.

Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the company's securities.

By order of the board of directors
Haisheng Juice Holding Co. LTD
Chairman and Executive Director
Gao Liang

Xi'an, People's Republic of China, March 7, 2022

As of the date of this announcement, the Executive Director is Mr. Gao Liang; The independent non-executive directors are Mr. Zhao Boxiang and Mr. Liu Zhongli.