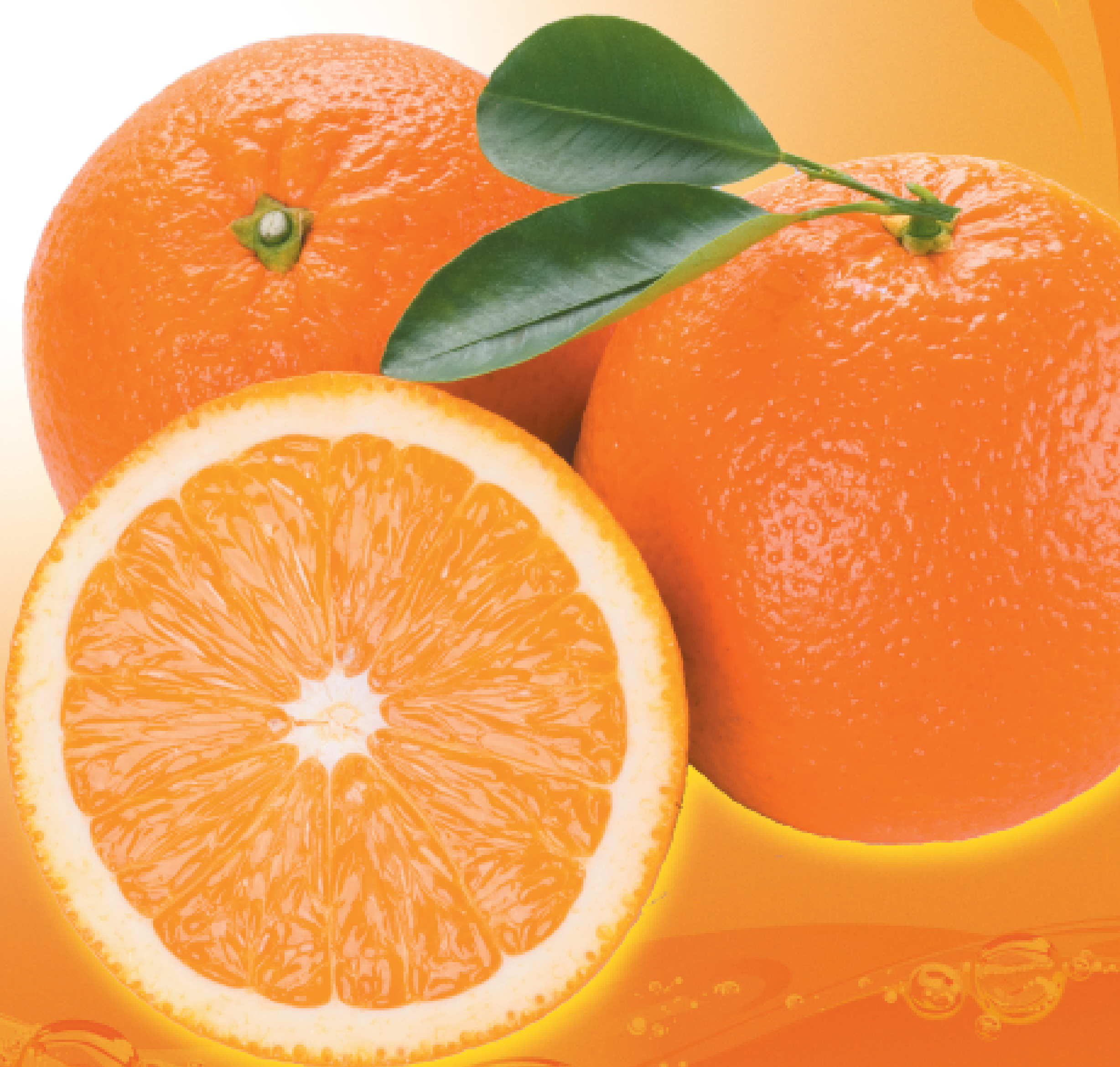
天溢果業控股有限公司

Tianyi Fruit Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 00756



Annual Report **2009**

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Corporate Information

Directors

Executive Directors

Mr. Hong Hong U
Mr. Sin Ke
Mr. San Kwan

Independent Non-Executive Directors

Mr. Zhuang Xueyuan
Mr. Zhuang Weidong
Mr. Tu Zongcai

Company Secretary

Mr. Kwok Shun Tim *CPA, FCCA*

Authorised Representatives

Mr. San Kwan
Mr. Kwok Shun Tim *CPA, FCCA*

Audit Committee

Mr. Zhuang Xueyuan *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

Remuneration Committee

Mr. Sin Ke *(Chairman)*
Mr. Zhuang Weidong
Mr. Zhuang Xueyuan

Nomination Committee

Mr. Hong Hong U *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

Head Office and Principal Place of Business in Hong Kong

Suites 2201-03, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Auditors

KPMG

Compliance Advisor

Evolution Watterson Securities Limited

Legal Advisors

Loong & Yeung, Solicitors

Principal Bankers

Industrial and Commercial Bank of China (Asia) Limited
The Hongkong and Shanghai Banking Corporation Limited
Agricultural Bank of China, Quanzhou branch
Quanzhou City Commercial Bank

Share Registrar in Hong Kong

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

Share Registrar and Transfer Office in Cayman Islands

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Company Website

www.tianyi.com.hk

Chairman's Statement

I am pleased to present to our shareholders the annual report of Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the eighteen months ended 30 June 2009.

The Group gained a satisfactory growth in sales for the eighteen months ended 30 June 2009. Despite the global economic downturn starting from the second half of 2008, sale of frozen concentrated orange juice ("FCOJ") was still able to achieve a significant growth, reflecting that it was a wise strategy for the Group to concentrate on this business.

Our core business line, sale of FCOJ, will still be the future income producing stream which is able to add significant potential to our future earnings. We are confident in our ability to continue to build our earnings momentum. We strive for continued improvement, delivering superior long-term value to shareholders and providing one of the best places for employees to work.

In the next few years, we intend to continue with and to accelerate the implementation of our strategies, focusing on the four main sources of our success, i.e. (1) increase production capacity by acquiring land use rights, plant construction, purchase and installation of production and processing equipment; (2) expand the total area of the orange farms the Group operates; (3) enhance the Group's marketing activities and expanding sales network to further increase the market share and expand the client base; and (4) improve the orange planting technology and technological know-how on production of concentrated fruit juice products. To conclude, we are ideally positioned to take advantage of opportunities in the fast-growing market.

On behalf of the Board, I would like to express my warmest thanks to the management and our employees for their unswerving dedications and significant contributions. I would also like to extend my sincere gratitude to all our shareholders and investors for their endless support. With the solid business base and the effort of all staff, the Group will strive for an outstanding result in the future.

Hong Hong U
Chairman

Hong Kong, 17 September 2009

Management Discussion and Analysis

Business Review

The Group's revenue was primarily derived from the sale of frozen concentrated orange juice ("FCOJ") and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans. According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, the Group is one of the leading domestic producers in the FCOJ industry in China in terms of production quantity and produced approximately 8,961 tonnes of FCOJ in 2008. In addition, as compared to Brazil and the United States, FCOJ is an emerging industry in China and its size remains relatively small. Currently, China relies on imported FCOJ to meet the shortfall in supply.

The Group believes that its success to date and potential for future growth can be attributed to a combination of strengths, including the followings:

- Solid and reputable customer base
- One of the leading producers of FCOJ in the large and fast growing juice market in China
- Well-established network for raw materials procurement and supply chain management
- A vertically integrated processing platform
- Automated production process, proven system of large scale manufacturing and quality control
- Experienced management with the track record of delivering growth and profitability

The Group aims to maximise shareholders value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase its market share;
- Expand production capacities by building new production facilities in strategic locations and further strengthen its raw materials supply base; and
- Expand its products range and client base.

As to further enhance the Group's productivity to meet the increasing demand from the domestic market, on 25 October 2008, the Group completed the construction of the new plant situated at Fujian Province Mingxi County Shili Port Ecological-economy District (福建省明溪縣十里埠生態經濟區). Subsequently, the production line in Sanming Summi Food Co., Limited ("Sanming Summi") had been relocated to the new plant. The new plant had commenced production at the end of November 2008 and would have an annual production capacity of approximately 7,000 metric tonnes concentrated fruit juice per pressing season under full operation (which represents an increase of 70% over the previous pressing season).

Management Discussion and Analysis

Financial Review

As a result of the change in financial year end, this financial result for the Group comprises the eighteen-month period from 1 January 2008 to 30 June 2009. Accordingly, the comparative amounts presented for the consolidated income statement and the related notes, which were prepared for the year ended 31 December 2007, are not directly comparable.

The Group's revenue increased from approximately RMB265,595,000 for the year ended 31 December 2007 to approximately RMB463,771,000 for the eighteen months ended 30 June 2009, representing an increase of approximately 74.6% as compared with the year ended 31 December 2007.

For the eighteen months ended 30 June 2009, the profit for the period was approximately RMB97,467,000 representing an increase of approximately 39.5% as compared to approximately RMB69,849,000 for the year ended 31 December 2007. The profit attributable to equity shareholders of the Company for the eighteen months ended 30 June 2009 rose by approximately 51.3% from approximately RMB62,818,000 for the year ended 31 December 2007 to approximately RMB95,064,000 for the eighteen months ended 30 June 2009.

Revenue from the sale of FCOJ and its related product grew from RMB124,337,000 for the year ended 31 December 2007 to RMB326,763,000 for the eighteen months ended 30 June 2009, representing an increase of 162.8%. The increase was attributable to the significant increase in the total production output of the production line of Sanming Summi as a result of technological modifications, ancillary equipment enhancement, and improved factory layouts in September and October 2007.

Revenue from the sale of fresh oranges fell from RMB127,128,000 for the year ended 31 December 2007 to RMB124,681,000 for the eighteen months ended 30 June 2009, representing a decrease of 1.9%. The decrease was due to the combined effect of decreased unit selling price and quantity sold of fresh oranges for the eighteen months ended 30 June 2009.

For the eighteen months ended 30 June 2009, the average selling prices of FCOJ and its related product and fresh oranges were RMB13.78/kg (for the year ended 31 December 2007: RMB14.7/kg) and RMB1.66/kg (for the year ended 31 December 2007: RMB1.73/kg) respectively.

The gross profit of the Group increased by 102% to RMB127,506,000 for the eighteen months ended 30 June 2009 from RMB63,115,000 for the year ended 31 December 2007. The increase was mainly due to the increase in the sales of FCOJ as a percentage of total revenue.

Management Discussion and Analysis

The gross profit margin by products for the eighteen months ended 30 June 2009 and for the year ended 31 December 2007 were as follows:

	For the eighteen months ended 30 June 2009	For the year ended 31 December 2007
FCOJ and its related product*	**38%**	48%
Fresh oranges*	**-1%**	-1%
Others	**39%**	33%

* The cost of FCOJ and its related product and fresh oranges are adjusted for fair value.

The decline in gross profit margin of FCOJ and its related product was due to the falling in unit selling price. The gross profit margin of fresh oranges remained stable.

The distribution costs of the Group rose by 101.9% from RMB5,085,000 for the year ended 31 December 2007 to RMB10,270,000 for the eighteen months ended 30 June 2009, primarily as a result of the bonus distribution and salaries increment for sales and marketing staff and the incremental expenses arising from the operating of the Group's Shanghai office since late 2008. Moreover, the transportation cost also increased due to the increase in sales volume.

The administrative expenses of the Group increased by 366.3% from RMB5,417,000 for the year ended 31 December 2007 to RMB25,260,000 for the eighteen months ended 30 June 2009, mainly attributable to the increased salaries of management staff, social insurance contributions and the bonus distribution; and the increase in general office expenses due to enlarged operation size of the Group.

Liquidity and Capital Resources

Liquidity, financial resources and capital structure

As at 30 June 2009, the Group had cash and cash equivalents of RMB193,121,000 (31 December 2007: RMB67,783,000) and total borrowings of RMB5,100,000 (31 December 2007: RMB52,000,000). Approximately 99.5% (2007: 82.1%) and 0.5% (2007: 17.9%) of the cash and cash equivalents are held in RMB and Hong Kong dollars respectively. As the secured bank loan of RMB5,100,000 is an interest-free contracted bank loan extended by a local finance bureau of the PRC, the Group did not have any interest-bearing borrowings as at 30 June 2009 (31 December 2007: RMB52,000,000, at fixed interest rates ranged from 6.50% to 8.44% per annum). All the borrowings of the Group were denominated in RMB.

As at 30 June 2009, the gearing ratio (which is calculated as total borrowings divided by total equity) of the Group was 1.1% (31 December 2007: 25.7%). As at 30 June 2009, the Group had current assets of RMB340,291,000 (31 December 2007: RMB238,126,000) and current liabilities of RMB22,232,000 (31 December 2007: RMB37,764,000). The current ratio (which is calculated as current assets divided by current liabilities) was 15.3 as at 30 June 2009, which showed an improvement as compared to 6.3 as at 31 December 2007.

The Board's approach to manage liquidity of the Group is to ensure sufficient liquidity at any time to meet its matured liabilities to avoid any unacceptable losses or damage to the Group's reputation.

Management Discussion and Analysis

Foreign exchange exposure

The Group's sales and purchases were denominated in RMB. Therefore, the Group is not exposed to any significant foreign currency exchange risks and the Board does not expect any material impact on the Group's operations as a result of any future currency fluctuations. No financial instruments are employed by the Group for hedging purposes.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to RMB86,636,000 (year ended 31 December 2007: RMB10,610,000), which was used in the acquisition of property, plant and equipment.

Net finance costs

For the eighteen months ended 30 June 2009, net finance costs of the Group were approximately RMB610,000 (year ended 31 December 2007: RMB1,505,000).

Final dividend

The Board did not recommend the payment of final dividend for the eighteen months ended 30 June 2009 (year ended 31 December 2007: nil).

Charge on assets

As at 30 June 2009, the Group had pledged bank deposits of RMB5,100,000 to secure bank loan granted to the Group (31 December 2007: nil).

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities (31 December 2007: nil).

Human Resources

As at 30 June 2009, the Group employed approximately 310 employees (31 December 2007: 265 employees). The Group offered competitive remuneration package, discretionary bonuses and social insurance benefits to its employees. A share option scheme was also adopted for the employees of the Group.

Prospects

Since the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2008, the listing proceeds, net of listing expenses, of approximately HK$129.5 million from the international offering of 250,000,000 shares of the Company were raised. As such, the Company has the resources to increase productivity and add value to its shareholders. The Group currently places more emphasis and resources in the following four areas:

Management Discussion and Analysis

(1) Acquiring land use rights, plant construction, purchase and installation of production and processing equipment:

The construction of plants, offices and other auxiliary buildings of approximately 16,000 sq.m. in Chongqing is expected to finish in October 2009. The installation of full-automated production facilities imported from Brazil, with a production capacity of 10,000 tonnes per pressing season, will commence and expect to finish in late October 2009, aiming to put into operation in November 2009.

(2) Expansion of the total area of the orange farms the Group operates:

The Group plans to look for suitable lands located in Chongqing Province in the PRC and leases approximately 20,000 mu of orange farm in 2009.

(3) Enhancing the Group's marketing activities and expanding sales network:

The Group will participate in marketing activities such as exhibitions, industry conferences and promotions through different market media; during the first half of 2009, sales representative offices were set up in Shanghai, Beijing and Chongqing, the three municipalities in the PRC, and a new sales team comprising 10 members was formed.

(4) Improving the orange planting technology and technological know-how on production of fruit concentrate products:

The Group will establish a citrus technology centre in collaboration with other institutes for the development of citrus production technique; establish a fruit and vegetable juice processing technology centre to research and develop fruit and vegetable processing technique; and recruit research and development staff.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

Pursuant to a reorganisation (the "Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange (the "Listing"), the Company became the holding company of the subsidiaries of the Group in May 2008. The details of the Reorganisation have been set out in the Prospectus.

Save as disclosed above, during the period, there was no other material acquisition and disposal of subsidiaries and associated companies by the Company.

Board of Directors and Senior Management

Directors And Senior Management

Executive Directors

Hong Hong U (洪鴻瑜), aged 53, has been the chairman and the executive Director of the Company since the establishment of the Company in February 2008. He provides leadership to the Board and is responsible for formulating the Company's business strategies. He was the founder of the Group and was a director of the principal operating subsidiary, Summi Fujian, from its establishment in 1993 until March 2005. Through which, Mr. Hong has gained about 12 years of business operation experiences.

Mr. Hong is the brother-in-law of Mr. Sin.

Mr. Hong is also the director of Chongqing Tianbang Food Co., Limited (重慶天邦食品有限公司), a wholly-owned subsidiary of the Company.

Save as disclosed above, Mr. Hong did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Sin Ke (辛克), aged 48, is the chief executive officer and an executive Director. Mr. Sin has been involved in managerial and supervisory role in the Group from its establishment in 1993. Through which, Mr. Sin has gained more than 14 years of experience in managing and operating of business. From 1982 to 1993 he was involved in the sales, manufacturing and administration of beverage, health products and pharmaceutical products. He was appointed as the honorary chairman of the Fujian Sports United Association of Macau (澳門福建體育聯合會), the committee member of Hui'An Province Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議惠安縣委員會) and council member of the Beverage Industry Association of China (中國飲料工業協會). Mr. Sin is the brother-in-law of Mr. Hong and the elder brother of Mr. San Kwan.

Mr. Sin is also the director of Rich Anges Limited (裕佳有限公司), Sunshine Vocal Limited, Potel Limited (邦天有限公司), Manwell (China) Limited (萬華(中國)有限公司), Chongqing Shangguo Agriculture and Technology Co., Ltd (重慶尚果農業科技有限公司), Chongqing Tianbang Food Co., Limited (重慶天邦食品有限公司), Sanming Summi Food Co., Limited (三明森美食品有限公司) and Summi (Fujian) Food Co., Limited (森美(福建)食品有限公司), all of which are wholly-owned subsidiaries of the Company.

Save as disclosed above, Mr. Sin did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

San Kwan (辛軍), aged 41, is the executive Director. He joined the Group as a director of Summi Fujian in March 2005. He is responsible for assisting the Chairman and the chief executive officer in supervising the management of the Company. Mr. San Kwan is the younger brother of Mr. Sin Ke. From 1994 to 2006 he was the vice general manager of a company in Quanzhou, Fujian and was responsible for sales and marketing activities. Through which, Mr. San Kwan has gained experience in business.

Board of Directors and Senior Management

Mr. San is also the director of Chongqing Tianbang Food Co., Limited (重慶天邦食品有限公司) and Summi (Fujian) Food Co., Limited (森美 (福建) 食品有限公司), both of which are wholly-owned subsidiaries of the Company.

Save as disclosed above, Mr. San did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Independent non-executive Directors

Tu Zongcai (涂宗財), aged 44, is the independent non-executive Director. He joined the Group in 2008. Mr. Tu is an officer in charge of the Science and Technology Park of Nanchang University (南昌大學科技園), a vice-chairman of Nanchang University Science and Technology Park Development Company Limited (南昌大學科技園發展有限公司), and has been a professor of School of Life Science of Nanchang University (南昌大學生命科學學院) from 2001. Through which, Mr. Tu has gained about 7 years of experience in food science and engineering. Mr. Tu specializes in food science and engineering. He graduated from Nanchang University (南昌大學) in July 2007 and received his doctoral degree in Food Science and is a professor and an academic adviser to Ph.D students at Nanchang University. He has served as the Academic Leader of Higher Colleges for Adults and Teenagers of Jiangxi Province (江西省高等學校中青年學科帶頭人) from 2004 to 2006 and as the Leader of Major Academic Subject and Technology of Jiangxi Province (江西省主要學科學術和技術帶頭人) from 2007. He has received prizes such as the Ten Distinguished Teachers (十佳教師) of Nanchang University and the Second Prize in the Technology Advance Award of Jiangxi Province (江西省科學技術進步二等獎). His experience and knowledge in food science and engineering is beneficial to the Company's improvement in production operations and research and development.

Save as disclosed above, Mr. Tu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Zhuang Weidong (莊衛東) aged 41, is the independent non-executive Director. He joined the Group in 2008. Mr. Zhuang graduated from the Agricultural college, Fujian (福建農學院) in 1991 specializing in planting of fruit trees and has served as a senior orchard gardener in Quanzhou Agricultural Science Research Centre (泉州市農業科學研究所) since 2003. Through which, Mr. Zhuang has gained about 5 years of experience in fruit tree plantation. He has received the Third Prize in the Technology Advance Award of Quanzhou City (泉州市科學技術進步三等獎) and the Second Prize in the Technology Award of Fujian Province (福建省科學技術二等獎). His experience and knowledge in planting of fruit trees is beneficial to the Company's improvement in operation of leased orange farms.

Save as disclosed above, Mr. Zhuang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Board of Directors and Senior Management

Zhuang Xueyuan (莊學遠) aged 46, is the independent non-executive Director. He joined the Group in 2008. Mr. Zhuang is a senior accountant accredited by the Assessing Panel of High Level Duties of Professional Accountants of Fujian Province (福建省會計專業人員高級職務評審委員會) in 2002. Mr. Zhuang had worked with Fujian Quanzhou Resources Group Company (福建泉州物資集團公司) from 1982 to 2000 where he had served as, among other roles, the accountant of the finance department in charge of the accounting issues of the Company. Through which, Mr. Zhuang has gained about 18 years of experience in accounting and auditing. He has served as a manager and then as a director of State-owned Assets Investment Company Limited of Luo Jiang District of Quanzhou City (泉州市洛江區國有資產投資經營有限公司). He has also served as a director of Tang Xi Industrial Park Construction and Development Company Limited in Wan An Development Zone of Quanzhou City (泉州市萬安開發區塘西工業園建設開發有限公司), a supervisor of Luo Jiang foreign trade Company Limited (洛江區對外貿易有限公司) and a legal representative of He Shi Chemist at Luo Jiang District of Quanzhou City (泉州市洛江區河市醫藥店). His experience and knowledge in accounting is relevant to the financial and accounting aspects of the operations and is beneficial to the internal control.

Save as disclosed above, Mr. Zhuang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Senior Management

Hu Xu (胡旭), aged 46, is the chief financial officer. He joined in November 2004 and he is responsible for the financial and accounting management of the Group. Mr. Hu graduated from Jiang Xi Institute of Finance (江西財經學院) in 1986 and received his bachelor's degree in statistics. From 1986 to 1992 Mr. Hu taught at the Department of Management and Engineering of the Faculty of Building Materials of the Shanghai Tongji University (上海同濟大學建築材料學院管理工程系). From 1995 to 1999 Mr Hu worked in an auditing firm in Zhuhai. From 1999 to 2003 he was a vice general manager of an industry enterprise and was in charge of financial, legal and management works. From 2003 to 2004 he was a legal representative, executive director and general manager of a pharmaceutical company.

Mr. Hu is also the director of Summi (Fujian) Food Co., Limited (森美 (福建) 食品有限公司), a wholly-owned subsidiary of the Company.

Save as disclosed above, Mr. Hu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Zhang Tuanqi (張團旗), aged 42, is the chief engineer. He joined the Group in October 2004 and he is responsible for the production and technology of the Company. Mr. Zhang graduated from Xi'an Jiaotong University (西安交通大學) and received his bachelor degree in engineering. From 1992 to 2004 he served as a project supervisor for the work of project design in the Light Industry Department of the Xi'an Research Institute for Light Industrial Machinery Design (輕工部西安輕機設計研究所). From 2004 to 2005 Mr. Zhang was a manager in the food engineering department in the Xi'an Research Institute for Light Industrial Machinery Design.

Board of Directors and Senior Management

Save as disclosed above, Mr. Zhang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Pan Qingsong (潘青松), aged 36, is the procurement controller. He joined the Group in September 2003 and he is responsible for the procurement of the Company. Mr. Pan served as a procurement officer and then manager, and manager in a food and oil trading company from 1990 to 2000. From 2000 to 2003 he was the chairman of a trading company in Quanzhou, Fujian. In 2001 he served as a vice chairman and a secretary general of Quanzhou Chamber of Commerce (Urumqi Branch) (泉州市商會烏魯木齊分會). In 2002 he served as a vice chairman of Fujian Chamber of Commerce (Xinjiang Branch) (福建商會新疆分會).

Save as disclosed above, Mr. Pan did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Fu Lingling (富玲玲), aged 46, is the sales and marketing controller. She is responsible for the sales and marketing of the products. She joined the Group in March 2002. Ms. Fu graduated from Guizhou University for Nationalities (貴州民族學院) and received her bachelor degree in history in 1990. From 1996 to 2002 Ms. Fu was a sales manager of a Shanghai company.

Save as disclosed above, Ms. Fu did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Chen Xiaotang (陳曉棠), aged 33, is the investment department manager. He is responsible for management of financing and investment of the Company. He joined the Group in January 2005. Mr. Chen graduated from Jiangxi University of Finance and Economics (江西財經大學) in 1999 and received his bachelor degree in international finance and management. From 1999 to 2000, Mr. Chen was an employee of a futures trading company. From 2001 to 2004 Mr. Chen worked in the area of investment and financial consulting an agricultural company in Fujian, China.

Save as disclosed above, Mr. Chen did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Jiang Shuiquan (江水泉), aged 36, is the assistant to the chief executive officer. Mr. Jiang is an engineer. He joined the Group in January 2008. Mr. Jiang is responsible to assist the chief executive officer to carry out macro-management of the Group and implement the external investment activities. Mr. Jiang graduated from Jiang Xi Agricultural University (江西農業大學) and received his bachelor degree in agriculture mechanisation (mechanical and electrical) in 1994. Mr. Jiang later obtained his master degree from Nanjing Agriculture University in design and manufacturing of agricultural machineries in 1997.

Save as disclosed above, Mr. Jiang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position with the Company and other members of the Group or other major appointments and professional qualifications.

Report of the Directors

The Board presents their report together with the audited financial statements of the Company and the Group for the eighteen months ended 30 June 2009.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant change in nature of Group's activities during the period.

Results and Dividends

The results of the Group for the eighteen months ended 30 June 2009 are set out in the consolidated income statement. The Board does not recommend the payment of any dividend for the eighteen months ended 30 June 2009.

Financial Highlights

	Year ended 31 December			**Eighteen months ended 30 June**
	2005 RMB'000	2006 RMB'000	2007 RMB'000	**2009** **RMB'000**
Revenue	94,480	175,443	265,595	**463,771**
Gross profit	18,442	33,365	63,115	**127,506**
Profit before tax	46,119	85,497	95,748	**137,893**
Profit attributable to shareholders of the Company	30,112	55,602	62,818	**95,064**
Basic earnings per share (RMB cents)	4.46	8.24	8.38	**10.42**
Non-current assets	39,274	39,922	39,337	**153,440**
Current assets	63,778	134,363	238,126	**340,291**
Current liabilities	27,321	34,981	37,764	**22,232**
Non-current liabilities	5,120	6,913	37,459	**16,825**
Net assets	70,611	132,391	202,240	**454,674**

Note:

The results of the Group for the financial years ended 31 December 2005, 2006 and 2007 and the balance sheets items of the Group as at 31 December 2005, 2006 and 2007 are extracted from the Company's prospectus dated 30 June 2008.

Report of the Directors

Major Customers and Suppliers

For the eighteen months period ended 30 June 2009, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 15.4% and 41.3% respectively of the Group's total purchases for the period. Revenue attributable to the Group's largest customer and the five largest customers in aggregate accounted for 21.4% and 44.4% respectively of the Group's total revenue for the period.

None of the Directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Company and the Group during the period are set out in note 14 to the financial statements.

Share Capital

Details of movements during the period in the share capital of the Company are set out in note 29 to the financial statements.

Reserves

Details of movements in the reserves of the Group during the period are set out in the consolidated statement of changes in equity.

As at 30 June 2009, the Company had reserves available for distribution of RMB143,271,000.

The Company was incorporated on 5 February 2008. Accordingly, there was no reserve available for distribution to equity holders as at 31 December 2007.

Directors

The Directors during the period and up to the date of this report were:

Executive Directors

Mr. Hong Hong U
Mr. Sin Ke
Mr. San Kwan

Independent Non-Executive Directors

Mr. Zhuang Xueyuan
Mr. Zhuang Weidong
Mr. Tu Zongcai

Report of the Directors

Each of Mr. Sin Ke, Mr. San Kwan, Mr. Tu Zongcai, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan will retire from office as Directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election pursuant to Article 108(a) of the Articles of Association.

Board of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 9 to 12 of this annual report.

Directors' Service Contract

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of 3 years commencing from 10 July 2008 unless terminated by not less than 3 months' notice in writing served by either party on the other.

Each of the independent non-executive Directors namely, Mr. Zhuang Xueyuan, Mr. Zhuang Weidong and Mr. Tu Zongcai has respectively entered into a service contract with the Company for a term of 2 years commencing on 10 July 2008 unless terminated by not less than 3 months' notice in writing served by either party on the other.

None of the Directors, including those to be re-elected at the forthcoming annual general meeting, has a service contract which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

Emolument policy

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

Remuneration of directors and five individuals with highest emoluments

Details of the emoluments of the directors and five individuals with highest emoluments are set out in notes 10 and 11 to the consolidated financial income statements.

Report of the Directors

Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2009, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

1. Interests and short position in the shares (the "Shares") of the Company

Name of Directors	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Hong Hong U ("Mr. Hong")	Interest of controlled corporation (Note 2)	570,608,145 (L)	57.06%
Mr. Sin Ke ("Mr. Sin")	Interest of controlled corporation (Note 3)	570,608,145 (L)	57.06%

2. Interests and short position in the underlying Shares

Name of Directors	Capacity/Nature	No. of underlying Shares	Percentage of issued share capital of the Company
Mr. Hong (Note 4)	Beneficial owner	4,000,000 (L)	0.40%
Mr. Sin (Note 4)	Beneficial owner	6,000,000 (L)	0.60%
Mr. San Kwan (Note 4)	Beneficial owner	8,000,000 (L)	0.80%

Notes:

1. The letters "L" denote a long position in the Shares.

2. Mr. Hong beneficially owned 51% interest in Key Wise Group Limited ("Key Wise") and Key Wise held 570,608,145 Shares. Therefore, Mr. Hong was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise under the SFO.

3. Mr. Sin beneficially owned 51% interest in Cheer Sky Limited ("Cheer Sky") which beneficially owned 49% interest in Key Wise. Therefore, Mr. Sin was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise under the SFO.

4. Interests in the options granted on 18 November 2008 under the share option scheme of the Company. For further details, please refer to the below section headed "Share Option Scheme".

Report of the Directors

3. Long position in the ordinary shares of associated corporation

Name of Directors	Name of the associated corporation	Capacity/Nature	No. of shares held	Percentage of interest
Mr. Hong	Key Wise	Beneficial owner	51,000	51.00%
Mr. Sin	Key Wise	Interest of controlled corporation (Note)	49,000	49.00%

Note:

Mr. Sin beneficially owned 51% interest in Cheer Sky which beneficially owned 49% interest in Key Wise.

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company

As at 30 June 2009, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Interests and short position in the Shares and underlying Shares

Name of Shareholders	Capacity/Nature	No. of Shares/ underlying Shares	Percentage of issued share capital of the Company
Ms. Ng Sao Lang	Family (Note 2)	574,608,145 (L)	57.46%
Key Wise	Beneficial owner	570,608,145 (L)	57.06%
Cheer Sky	Interest of controlled corporation (Note 5)	570,608,145 (L)	57.06%
Ms. Hong Manna	Family (Note 3) Interest of controlled corporation (Note 3)	576,608,145 (L)	57.66%
First Trading Limited	Beneficial owner	75,000,000 (L)	7.50%
Mr. Ye Jinxing	Interest of controlled corporation (Note 4)	75,000,000 (L)	7.50%

Report of the Directors

Notes:

1. The letters "L" denote a long position in the Shares.

2. Mr. Hong beneficially owned 51% interest in Key Wise. Therefore, Mr. Hong was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise under the SFO. Mr. Hong also held share options to subscribe for 4,000,000 Shares. Ms. Ng Sao Lang is the spouse of Mr. Hong. Therefore, Ms. Ng was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise and the share options to subscribe for 4,000,000 Shares held by Mr. Hong under the SFO.

3. Mr. Sin held share options to subscribe for 6,000,000 Shares. Ms. Hong Manna beneficially owned 49% interest in Cheer Sky which beneficially owned 49% interest in Key Wise. Ms. Hong is the spouse of Mr. Sin. Therefore, Ms. Hong was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise and the share options to subscribe for 6,000,000 Shares held by Mr. Sin under the SFO.

4. First Trading Limited is wholly owned by Mr. Ye Jinxing and thus under the SFO, Mr. Ye is deemed to be interested in the 75,000,000 Shares held by First Trading Limited.

5. Cheer Sky beneficially owned 49% interest in Key Wise and Key Wise held 570,608,145 Shares. Therefore, Cheer Sky was deemed, or taken to be, interested in the 570,608,145 Shares held by Key Wise under the SFO.

Save as disclosed above, and as at 30 June 2009, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Directors' Interests in Contracts

Save as disclosed in note 32 to the consolidated financial statements, no Director had a material interest in, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

Directors' Rights to Acquire Shares or Debentures

Apart from the details as disclosed under the heading "Directors' and chief executives' interests in shares and underlying shares" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Connected transactions

The related party transactions are set out in note 32 to the consolidated financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Purchase, Sale and Redemption of the Shares

During the eighteen months period ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Report of the Directors

Directors' Interest in a Competing Business

During the period, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

Bank loans and other borrowings

Particulars of bank loans and other borrowings of the Company and the Group as at 30 June 2009 are set out in note 24 and 32 to the consolidated financial statements.

Retirement schemes

Particulars of the retirement schemes of the Group are set out in note 6 to the consolidated financial statements.

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties.

Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's Shares on the Stock Exchange up to 30 June 2009.

Share Option Scheme

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the ''Scheme") on 7 June 2008 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the ''Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Group. The Scheme became unconditional on 10 July 2008 and shall be valid and effective for a period of ten years commencing on 7 June 2008, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options;

Report of the Directors

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

The status of the share options granted up to 30 June 2009 is as follows:

Category of participants	As at 1 January 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2009	Date of grant of share option	Exercise period of share options	Exercise price of share options HK$	Share price of the Company as at the date of grant of share options* HK$
Directors:									
Hong Hong U	–	4,000,000	–	–	4,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
Sin Ke	–	6,000,000	–	–	6,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
San Kwan	–	8,000,000	–	–	8,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
Employees**	–	21,000,000	–	1,000,000	20,000,000	11 November 2008	10 years from the date of grant	0.75	0.75
		39,000,000			38,000,000				

* The share price of the Company as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options.

** There was a total of 8 employees of the Group being granted share options under the Share Option Scheme, all of whom are not Directors, chief executive or substantial shareholders of the Company or their respective associates.

Report of the Directors

The following table lists the vesting period of the share options granted under the Scheme:

	Name	No. of share options	Vesting period/Maximum percentage of options exercisable from the date of acceptance* 0-12 Months	13-24 Months	25-36 Months	After 36 Months
Directors	Hong Hong U	4,000,000	0.00%	32.50%	65.00%	100.00%
	Sin Ke	6,000,000	0.00%	33.33%	66.67%	100.00%
	San Kwan	8,000,000	0.00%	30.00%	60.00%	100.00%
Employees		21,000,000	0.00%	30.95%	61.90%	100.00%
		39,000,000	0.00%	31.28%	62.56%	100.00%

* The date of grant and the date of acceptance for all outstanding share options are the same and are 18 November 2008.

For further information of the options granted during the period under review, please refer to note 28 to the consolidated financial statements.

Public Float

From information publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital are held by the public at all times from 10 July 2008 up to the date of this report.

Pre-Emptive Rights

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

Corporate Governance

The Board considered that the Company had complied with the code provisions set out in the Code of Corporate Governance Practices (the "CG Code") as stipulated in Appendix 14 to the Listing Rules during the period.

The Group's compliance with the code provisions is set out in the Corporate Governance Report from page 23 to page 28 of this annual report.

Report of the Directors

Closure of register of members

The register of members of the Company will be closed from 26 November 2009 to 30 November 2009 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on 30 November 2009, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 25 November 2009.

Auditors

KPMG has acted as auditors of the Company for the year ended 31 December 2007 and eighteen months period ended 2009.

KPMG shall retire in the forthcoming annual general meeting and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Hong Hong U
Chairman

Hong Kong, 17 September 2009

Corporate Governance Report

The Group's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Listing Rules.

The Board considered that the Company had complied with the Code Provisions of the CG Code during the period.

The Group commits to continuously improving its corporate governance practices by periodic review to ensure that the Group continues to meet the requirements of the CG Code.

The key corporate governance practices of the Group are summarised as follows:

Board of Directors

Composition

The Board includes three executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Hong Hong U
Mr. Sin Ke
Mr. San Kwan

Independent Non-Executive Directors

Mr. Zhuang Xueyuan
Mr. Zhuang Weidong
Mr. Tu Zongcai

The brief biographic details of the existing Directors are set out in the "Board of Directors and Senior Management" section on pages 9 to 12.

More than one-third of the Board is independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of the Directors of the Company.

Each of the independent non-executive Directors namely, Mr. Zhuang Xueyan, Mr. Zhuang Weidong and Mr. Tu Zongcai has respectively entered into a service contract with the Company for a term of 2 years commencing on 10 July 2008 unless terminated by not less than 3 months' notice in writing served by either party on the other. The independent non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

Corporate Governance Report

Each of Mr. Sin Ke, Mr. San Kwan, Mr. Tu Zongcai, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan will retire from office as Directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election pursuant to Article 108(a) of the Articles of Association.

The Company has received from each of its independent non-executive Directors an annual confirmation of their independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independent guidelines set out in the Listing Rules.

Board Meetings

The Board meets regularly. In addition to regular meetings, it meets as and when warranted by particular circumstances. During the period, twelve Board meetings were held.

A record of the Directors' attendance at Board meetings is set out as follows:

	Attendance/ Number of Meetings
Executive Directors	
Mr. Hong Hong U *(Chairman)*	12/12
Mr. Sin Ke	12/12
Mr. San Kwan	11/12
Independent Non-executive Directors	
Mr. Zhuang Xueyuan	6/12
Mr. Zhuang Weidong	6/12
Mr. Tu Zongcai	6/12

Board Responsibilities and Delegation

The Board is responsible to the shareholders for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the annual development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system and supervising and managing management's performance. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Group. The Board gives clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the Group by management.

Corporate Governance Report

Chairman and Chief Executive Officer

The Group understands that the role of Chairman of the Board and Chief Executive Officer shall have clear division of responsibilities. During the period and up to the date of this report, the Group has appointed a separate Chairman and Chief Executive Officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Hong Hong U, the Chairman, is responsible for the operation of the Board and the formulation of the Group's strategies and policies. Mr. Sin Ke, the Chief Executive Officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and receive adequate, complete and reliable information in a timely manner.

Appointment, Re-Election and Removal of Directors

The Group has not established a nomination committee and retained the functions to the Directors. The Directors from time to time identify individuals suitably qualified to become Board members and make recommendations to the Board. The main consideration in selecting candidates for directorships on the Board is whether their characters, qualifications and experience are appropriate for the businesses of the Group. During the year, the Board did not nominate any new Directors.

Newly appointed Directors of the Company will receive induction and reference materials to enable them to familiarise with the Group's business operations and board policies. Each Director is briefed and updated from time to time to ensure that he is fully aware of his responsibilities under the Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

At each annual general meeting, at least one-third of the directors are required to retire from office. Each Director shall retire from office once every three years. The Directors to retire in every year shall be those appointed by the Board during the year and those who have been longest in office since their last election or re-election. New Directors appointed by the Board during the year shall retire and submit themselves for re-election at the annual general meeting immediately following their appointments.

Each of Mr. Sin Ke, Mr. San Kwan, Mr. Tu Zongcai, Mr. Zhuang Weidong and Mr. Zhuang Xueyuan will retire from office as Directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election pursuant to Article 108(a) of the Articles of Association.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding the Directors' securities transactions on terms no less exacting than the required standard set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with such code of conduct throughout the eighteen months ended 30 June 2009.

Corporate Governance Report

Remuneration Committee

The Group established a remuneration committee ("Remuneration Committee"), which comprises two independent non-executive Directors and one executive Director.

Members of Remuneration Committee

Mr. Sin Ke *(Chairman)*
Mr. Zhuang Weidong
Mr. Zhuang Xueyuan

The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration of senior management and recommend members to the Board. Two of them are independent non-executive Directors. In determining or reviewing Mr. Sin's remuneration, Mr. Sin will abstain from voting in the relevant committee meeting. The Board considers that with the above arrangement in place, the relevant provision of the Listing Rules requiring that no Director should be involved in deciding his/her own remuneration can be complied with. The Remuneration Committee held one meeting during the eighteen months period ended 30 June 2009 and all the members have attended to review the Group's remuneration policy and the terms of executive Directors' service contracts. During the period, the Board as a whole had determined the remuneration policy and packages of the Directors.

Communication with Shareholders

Information of the Company and the Group are delivered to its shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of the Company and the Group together with the published documents are also available on the Company's website.

Internal Control

The Board is committed to manage business risks and to maintain a proper and effective system of internal control to safeguard the shareholders' investment and the Group's assets. The Board, through the Audit Committee, has conducted annual review of the effectiveness of the Group's system of internal control covering all controls, including financial, operational and compliance controls, and risk management processes. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls during the eighteen months ended 30 June 2009 as set forth in the CG Code.

Nomination Committee

The Group established a nomination committee ("Nomination committee") which comprises two independent non-executive directors and one executive Director.

Corporate Governance Report

Members of Nomination Committee

Mr. Hong Hong U *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and senior management. The nomination committee is established with specific terms of references which deal clearly with the committee's authority and duties. Given the majority of the committee members of the nomination committee are independent non-executive Directors, the Board considers that the appointment of an executive Director as the chairman of the nomination committee will not prejudice the impartialness and transparency of the committee. The nomination committee held one meeting during the eighteen months period ended 30 June 2009 and all the members have attended to the meeting.

Auditor's Remuneration

The Group's external auditor is KPMG. The remuneration paid or payable to the external auditor of the Group for the eighteen months period ended 30 June 2009 comprised of fees for audit services of RMB1,401,000.

During the period under review, there was no non-audit service provided by the external auditor.

The Company has not changed the external auditor since its listing and up to the date of this report.

Audit Committee

The Audit Committee is primarily responsible for reviewing and supervising the financial reporting process and internal control system of the Group with management as well as external auditors of the Group.

The Audit Committee comprises three independent non-executive Directors.

Members of Audit Committee	Attendance/ Number of Meetings
Mr. Zhuang Xueyuan *(Chairman)*	4/4
Mr. Zhuang Weidong	4/4
Mr. Yu Zongcai	4/4

The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and provide advice and comments to the Board. All of them are independent non-executive Directors.

During the eighteen months period ended 30 Jun 2009, the audit committee met 4 times with all members presented to discuss the financial results of the Group and certain other businesses. The effectiveness of the Company's internal control was also discussed in these meetings.

Corporate Governance Report

Directors' and Auditor's Responsibility for Financial Statements

All Directors acknowledge their responsibility for preparing the financial statements for the eighteen months ended 30 June 2009. The auditor of the Company acknowledge their reporting responsibilities in the auditor's report on the financial statements for the eighteen months ended 30 June 2009. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements.

Corporate Governance Enhancement

Enhancing corporate governance is not simply a matter of applying and complying with the CG Code of the Stock Exchange but about promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the shareholders to promote and improve the transparency are also welcome.

On behalf of the Board

Hong Hong U
Chairman

Hong Kong, 17 September 2009

Independent Auditor's Report

Independent auditor's report to the shareholders of
Tianyi Fruit Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 31 to 94, which comprise the consolidated and company balance sheets as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the eighteen-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2009 and of the Group's profit and cash flows for the eighteen-month period then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 September 2009

Consolidated Income Statement

For the eighteen months ended 30 June 2009

	Note	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Revenue	4	**463,771**	265,595
Cost of sales		**(336,265)**	(202,480)
Gross profit		**127,506**	63,115
Gain from changes in fair value of biological assets less estimated point-of-sale costs	20	**44,352**	44,001
Other income	5	**2,494**	757
Distribution costs		**(10,270)**	(5,085)
Administrative expenses		**(25,260)**	(5,417)
Other expenses		**(319)**	(118)
Profit from operations		**138,503**	97,253
Finance income		**1,591**	222
Finance expenses		**(2,201)**	(1,727)
Net finance costs	8	**(610)**	(1,505)
Profit before taxation		**137,893**	95,748
Income tax	9	**(40,426)**	(25,899)
Profit for the period/year		**97,467**	69,849
Attributable to:			
Equity shareholders of the Company		**95,064**	62,818
Minority interests		**2,403**	7,031
Profit for the period/year		**97,467**	69,849
Earnings per share (RMB cents)			
Basic	13(a)	**10.42**	8.38
Diluted	13(b)	**10.41**	N/A

The notes on pages 38 to 94 form part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2009

	Note	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	14	**108,360**	27,459
Land use rights	15	**3,416**	2,521
Rental prepayments	16	**35,751**	9,357
Pledged bank deposits	17	**5,100**	—
Deferred tax assets	27	**813**	—
		153,440	39,337
Current assets			
Inventories	19	**9,561**	33,060
Biological assets	20	**55,258**	5,799
Rental prepayments	16	**14,570**	8,971
Trade and other receivables	21	**65,103**	122,513
Time deposits	22	**2,678**	—
Cash and cash equivalents	23	**193,121**	67,783
		340,291	238,126
Total assets		**493,731**	277,463
Current liabilities			
Loans and borrowings	24(a)	**—**	17,000
Trade and other payables	25	**18,928**	5,627
Income tax payables		**3,304**	15,137
		22,232	37,764
Net current assets		**318,059**	200,362
Total assets less current liabilities		**471,499**	239,699
Non-current liabilities			
Deferred income	26	**11,000**	—
Loans and borrowings	24(a)	**5,100**	35,000
Deferred tax liabilities	27	**725**	2,459
		16,825	37,459
Total liabilities		**39,057**	75,223
Net assets		**454,674**	202,240

Consolidated Balance Sheet

As at 30 June 2009

	Note	**As at 30 June 2009 RMB'000**	As at 31 December 2007 RMB'000
Capital and reserves			
Share capital	29	**8,791**	730
Reserves	29	**445,783**	181,240
Total equity attributable to equity shareholders of the Company		**454,574**	181,970
Minority interests	29	**100**	20,270
Total equity		**454,674**	202,240

Approved and authorised for issue by the board of directors on 17 September 2009.

Hong Hong U
Chairman

Sin Ke
Chief Executive Officer

The notes on pages 38 to 94 form part of these financial statements.

Balance Sheet

As at 30 June 2009

	Note	As at 30 June 2009 RMB'000
Non-current assets		
Investments in subsidiaries	18	**45,020**
Receivables due from subsidiary	32(c)	**123,466**
		168,486
Current assets		
Trade and other receivables	21	**164**
Cash and cash equivalents	23	**599**
		763
Total assets		**169,249**
Current liabilities		
Trade and other payables	25	**1,200**
		1,200
Net current liabilities		**437**
Total assets less current liabilities		**168,049**
Non-current liabilities		
Payables due to subsidiaries	32(d)	**11,837**
		11,837
Total liabilities		**13,037**
Net assets		**156,212**
Capital and reserves		
Share capital	29	**8,791**
Reserves	29	**147,421**
Total equity		**156,212**

Approved and authorised for issue by the board of directors on 17 September 2009.

Hong Hong U
Chairman

Sin Ke
Chief Executive Officer

The notes on pages 38 to 94 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the eighteen months ended 30 June 2009

	Note	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Equity attributable to equity shareholders of the Company:			
Balance as at 1 January		**181,970**	119,152
Profit for the period/year		**95,064**	62,818
Acquisition of minority interests		**23,779**	—
Waiver of an equity shareholder's loan		**36,396**	—
Issue of shares through Initial Public Offering		**138,269**	—
Share issue expenses		**(24,525)**	—
Equity settled share-based payment		**3,622**	—
Exchange difference on translation into presentation currency		**(1)**	—
Balance as at period/year end		**454,574**	181,970
Minority interests:			
Balance as at 1 January		**20,270**	13,239
Profit for the period/year		**2,403**	7,031
Capital injection		**1,100**	—
Acquisition of minority interests		**(23,673)**	—
Balance as at period/year end		**100**	20,270
Total equity:	29	**454,674**	202,240

The notes on pages 38 to 94 form part of these financial statements.

Consolidated Cash Flow Statement

For the eighteen months ended 30 June 2009

	Note	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Operating activities			
Profit before taxation		**137,893**	95,748
Adjustments for:			
Gain from changes in fair value of biological assets less estimated point-of-sale costs	20	**(44,352)**	(44,001)
Depreciation	7	**5,731**	2,147
Amortisation of land use rights	7	**105**	70
Loss on disposal of property, plant and equipment		**3**	3
Write-down of inventories	19(c)	**6,309**	1,165
Interest income	8	**(1,591)**	(222)
Interest expenses	8	**1,517**	1,184
Equity-settled share-based payment expenses	29(a)	**3,622**	—
Operating profit before changes in working capital		**109,237**	56,094
Decrease in inventories, including harvested oranges transferred to inventories		**17,190**	24,982
(Increase)/decrease in biological assets		**(5,107)**	43,979
(Increase)/decrease in rental prepayments		**(31,993)**	9,201
Decrease/(increase) in trade and other receivables		**57,410**	(78,786)
Increase/(decrease) in trade and other payables		**14,697**	(1,234)
Cash generated from operations		**161,434**	54,236
Interest paid		**(1,517)**	(1,279)
Income tax paid		**(54,806)**	(27,341)
Net cash generated from operating activities		**105,111**	25,616
Investing activities			
Interest received		**1,591**	222
Acquisition of subsidiaries, net of cash acquired	29(a)	**106**	—
Payment for purchase of property, plant and equipment		**(86,636)**	(11,630)
Payment for purchase of land use rights		**(1,000)**	—
Proceeds from disposal of property, plant and equipment		**—**	4
Increase in pledged bank deposits		**(5,100)**	—
Increase in time deposits		**(2,678)**	—
Net cash used in investing activities		**(93,717)**	(11,404)

Consolidated Cash Flow Statement

For the eighteen months ended 30 June 2009

	Note	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Financing activities			
Proceeds from loans and borrowings	24	**5,100**	56,500
Repayment of loans and borrowings	24	**(17,000)**	(19,380)
Government grants received	26	**11,000**	—
Capital injection by minority shareholders	29(a)	**1,100**	—
Proceeds from issue of ordinary shares in placing and public offer, net of issue costs	29(a)	**113,744**	—
Net cash generated from financing activities		**113,944**	37,120
Net increase in cash and cash equivalents		**125,338**	51,332
Cash and cash equivalents at the beginning of the period/year		**67,783**	16,451
Cash and cash equivalents at the end of the period/year		**193,121**	67,783
Non-cash transactions:			
Acquisition of minority interests	29(a)(iv)	**23,673**	—
Waiver of an equity shareholder's loan	29(a)(v)	**36,396**	—

The notes on pages 38 to 94 form part of these financial statements.

Notes to the Consolidated Financial Statements

1. Reporting Entity and Corporate Reorganisation

Tianyi Fruit Holdings Limited (the "Company") was incorporated in the Cayman Islands on 5 February 2008 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 33 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries (collectively referred to as the "Group") to rationalise the group structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group in May 2008. Details of the Reorganisation are set out in the prospectus of the Company dated 30 June 2008 (the "Prospectus"). The Company's shares were listed on the Stock Exchange on 10 July 2008.

Details of the Company's subsidiaries as at 30 June 2009 are as follows:

Name of company	Place and date of establishment/ incorporation	Issued and fully paid up/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Sunshine Vocal Limited ("Sunshine Vocal") (i)	British Virgin Islands ("BVI") 17 July 2007	USD100,000/ USD100,000	100%	–	Investment holding
Rich Anges Limited (i)	BVI 10 October 2007	USD1/USD50,000	100%	–	Investment holding
Potel Limited (i)	Hong Kong 3 September 2007	HKD1/HKD10,000	–	100%	Investment holding
Manwell (China) Limited (i)	Hong Kong 22 November 2007	HKD1/HKD10,000	–	100%	Investment holding
Summi (Fujian) Food Co., Limited ("Summi Fujian") (i)	People's Republic of China ("PRC") 15 March 1993	RMB80,000,000/ RMB80,000,000	–	100%	Manufacturing and selling of concentrated fruit juice and selling of fresh oranges
Sanming Summi Food Co., Limited ("Sanming Summi") (ii)	PRC 27 September 2007	RMB10,000,000/ RMB10,000,000	–	100%	Manufacturing and selling of concentrated fruit juice
Chongqing Tianbang Food Co., Limited ("Chongqing Tianbang") (iii)	PRC 6 August 2008	HKD80,000,000/ HKD80,000,000	–	100%	Manufacturing and selling of concentrated fruit juice
重慶尚果農業科技有限公司 ("Chongqing Shangguo") (ii)	PRC 16 December 2008	RMB11,000,000/ RMB11,000,000	–	100%	Selling of fresh oranges
三明天溢農業綜合開發有限公司 ("Sanming Tianyi") (iv)	PRC 19 December 2008	RMB2,000,000/ RMB2,000,000	–	95%	Selling of fresh oranges

Notes to the Consolidated Financial Statements

1. Reporting Entity and Corporate Reorganisation *(Continued)*

(i) Summi Fujian was incorporated in the PRC as a sino-foreign equity joint-venture. From 1 January 2007 to 22 October 2007, 90% equity interest in Summi Fujian was held indirectly by Mr. Hong Hong U through Tak Vang Sap Ip Fat Chin Hong ("Macau Dehong"). On 22 October 2007, Macau Dehong disposed of such 90% equity interest in Summi Fujian to Potel Limited, a wholly owned subsidiary of Sunshine Vocal, which in turn was wholly owned by Mr. Hong Hong U. On the same day, Mr. Hong Hong U transferred 12.153% of his equity interest in Sunshine Vocal to an unrelated BVI investment holding company.

Prior to 20 December 2007, the remaining 10% equity interest in Summi Fujian was held by a domestic company in the PRC unrelated to Mr. Hong Hong U and has been presented as minority interests in the financial statements. On 20 December 2007, Quanzhou Yuansen Trading Limited ("Quanzhou Yuansen"), a company controlled by Ms. Xin Liang, the sister of Mr. Sin Ke, a director of Summi Fujian, acquired this 10% equity interest in Summi Fujian at a consideration of RMB12 million determined by reference to the net asset value of Summi Fujian based on a PRC valuation report issued by Xiamen Junhe Appraisal Consultancy Co., Ltd. (廈門均和評估諮詢有限公司) dated 20 May 2007. On 29 December 2007, Quanzhou Yuansen sold this 10% equity interest at a consideration of RMB12 million to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited, an entity wholly controlled by Mr. Sin Ke.

Both Rich Anges Limited and Manwell (China) Limited have not conducted any activities since their establishment, other than acting as investment holding companies from 29 December 2007 in respect of the 10% equity interest in Summi Fujian. Both entities were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group's ultimate controlling equity shareholder, Mr. Hong Hong U until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the relevant assets and liabilities of Rich Anges Limited and Manwell (China) Limited were not included in the financial statements of the Group as at 31 December 2007. The 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interests in the financial statements as at 31 December 2007. On 22 May 2008, the Company acquired this 10% equity interest in Summi Fujian by acquiring the entire issued capital of Rich Anges Limited from Mr. Sin Ke in consideration of which the Company allocated and issued 10,000,000 shares to Mr. Sin Ke credited as fully paid.

(ii) These entities were incorporated in the PRC as domestic companies and have been wholly owned by Summi Fujian since their establishment.

(iii) The entity was incorporated in the PRC as a domestic company and has been wholly owned by Manwell (China) Limited since its establishment.

(iv) The entity was incorporated in the PRC as a domestic company and has been invested in by Sanming Summi since its establishment.

Notes to the Consolidated Financial Statements

2. Basis of Presentation

In December 2008, the Company changed its financial year end date from 31 December to 30 June in order to better reflect and be in line with the growth cycle of fresh oranges and the production cycle of frozen concentrated orange juice. These products accounted for more than 90% of the total revenue of the Group for the year ended 31 December 2007. Accordingly, these financial statements cover the eighteen months period ended 30 June 2009.

The previous financial statements were prepared in respect of the year ended 31 December 2007. Consequently, the comparative figures for the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes are not comparable in so far as they relate to a shorter period than the current period.

Because the same ultimate controlling equity shareholder, Mr. Hong Hong U, controlled the companies now comprising the Group (except for Rich Anges Limited and Manwell (China) Limited) during the periods presented in these financial statements before and after the Reorganisation and consequently there was continuation of the risks and benefits to the ultimate controlling equity shareholder, the financial statements have been prepared as a reorganisation of business under common control and Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants has been applied. Accordingly, the relevant assets and liabilities of the companies comprising the Group during the periods presented are included in the consolidated financial statements of the Group from the date when the companies first came under the control of the Group’s ultimate controlling equity shareholder, using the existing book values from the ultimate controlling equity shareholder’s perspective.

The consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement set out in these financial statements include the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The consolidated balance sheet of the Group as at 31 December 2007 has been prepared to present the consolidated state of affairs of the Group as if the Group had been in existence as at that date. As the Company was incorporated on 5 February 2008, no comparative figures are presented in the Company’s balance sheet and the relevant notes.

The financial information relating to the year ended 31 December 2007 that is included in these financial statements as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from the Accountants’ Report included in the Prospectus, which is available from the Company’s registered office.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations, promulgated by the International Accounting Standards Board ("IASB").

The financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

For the purpose of preparing the financial statements, the Group has applied all new and revised IFRSs applicable to the periods presented, except for any new standards or interpretations that are not yet effective for accounting periods beginning on 1 January 2008, as set out in note 3(u).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for biological assets (see note 3(j)). The financial statements are presented in RMB, rounded to the nearest thousand.

(c) Use of estimates and judgements

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements is described in note 33.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised gains and losses arising from intra-group transactions are eliminated in full in preparing the financial statements.

(iii) Transactions with minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Group, whether directly or indirectly by subsidiaries, are presented in the consolidated balance sheet and consolidated statement of changes in equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Transactions with minority equity shareholders are at book value and classified as equity transactions. Accordingly, when the Group acquires minority interests of its subsidiaries, the difference between the amounts of consideration and carrying values of minority interests are recognised as reserve movement.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(e) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity ("functional currency"). The financial statements are presented in RMB ("presentation currency").

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of each entity in the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(f) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, time deposits, pledged bank deposits, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(f) Financial instruments *(Continued)*

(i) Non-derivative financial instruments (Continued)

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Accounting for finance income and expenses is discussed in note 3(p)(ii).

(ii) Share capital

Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

(g) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see note 3(l)). Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the consolidated income statement as an expense as incurred.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(g) Property, plant and equipment *(Continued)*

(iii) Depreciation

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line basis over their estimated useful lives. The estimated useful lives are as follows:

— Buildings	5-35 years
— Plant and machinery	5-20 years
— Furniture, fittings and equipment	5 years
— Motor vehicles	5-10 years

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually.

(iv) Retirement and disposal

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement on the date of retirement or disposal.

(v) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 3(l)). Cost comprises direct costs of construction during the period of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and substantially ready for its intended use.

(h) Land use rights

Land use rights represent the purchase costs of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses (see note 3(l)). Amortisation is charged to the consolidated income statement on a straight-line basis over the period of the rights which is 50 years.

(i) Rental prepayments

Rental prepayments represent prepaid rent for leased orange farms.

Rental prepayments are carried at cost less accumulated amortisation and impairment losses (see note 3(l)). Amortisation is charged to the consolidated income statement on a straight-line basis over the period o f the leases which is 5 years.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(j) Biological assets

Biological assets comprise immature oranges before harvest in leased orange farms.

Biological assets are stated at fair value less estimated point-of-sale costs from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined 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 (see note 3(1)). Once the fair value becomes reliably measurable, the biological assets are measured at fair value less point-of-sale costs. Where assets are held at fair value, changes in fair value are taken to the consolidated income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

After harvesting, oranges are transferred to inventories as agricultural produce at their deemed cost which is fair value at harvest less the estimated point-of-sale costs. Fair value at harvest is based on the selling prices for similar oranges prevailing in the market as at or close to the harvest dates.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average method and includes expenditure incurred in acquiring the inventories to bring them to their existing location and condition. In the case of manufactured inventories, cost includes direct labour and an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(l) Impairment *(Continued)*

(i) Financial assets (Continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 3(k)) and deferred tax assets (see note 3(q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(m) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses and staff welfare are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Defined contribution retirement plans

Obligations for contributions to local defined contribution retirement schemes pursuant to the relevant labour rules and regulations are recognised as an expense in profit or loss when they are due, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(iii) Share-based payment transactions

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value is measured at grant date using the binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed periodically. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to the income statement for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits). Share-based payment transactions in which the Company grants share options to subsidiaries' employees are accounted for as an increase in value of investment in subsidiary in the Company's balance sheet which is eliminated on consolidation.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a 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 of economic benefits 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 of economic benefits is remote.

(o) Revenue

(i) Sales of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value added tax or other sales taxes, returns or allowances, trade discounts and volume rebates. Revenue is recognised in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the customers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, also continuing management involvement with the goods.

(ii) Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

(p) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the consolidated income statement on a straight-line basis over the term of the respective leases. Lease incentives received are recognised in the consolidated income statement as an integral part of the total lease expense.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(p) Expenses *(Continued)*

(ii) Finance income and expenses

Finance income comprises interest income on cash deposits in bank and foreign currency gains that are recognised in the consolidated income statement. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise interest expenses on borrowings and foreign currency losses that are recognised in the consolidated income statement. All borrowing costs are calculated using the effective interest rate method.

(q) Income tax

Income tax in the consolidated income statement comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(s) Related parties

For the purposes of the financial statements, parties are considered to be related to the Group if:

(i) The party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) The Group and the party are subject to common control;

(iii) The party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) The party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) The party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) The party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the Group's reporting format for the purposes of the financial statements. No geographical segment information is separately presented as the Group's business segments are only managed and operated in the PRC.

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(u) New standards and interpretations not yet adopted

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the eighteen months ended 30 June 2009 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in a restatement of the Group's results of operations and financial position except for IFRS 8, Operating segments and Revised IAS 1, Presentation of financial statements, which are expected to result in amended disclosures in the financial statements.

The following developments may result in new or amended disclosures in the financial statements:

	Effective for accounting periods beginning on or after
IFRIC 13, *Customer loyalty programmes*	1 July 2008
IFRIC 16, *Hedges of a net investment in a foreign operation*	1 October 2008
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards, and IAS 27, Consolidated and separate financial statements — Cost of an investment in a subsidiary, jointly-controlled entity or associate*	1 January 2009
Amendment to IFRS 2, *Share-based payment — Vesting conditions and cancellations*	1 January 2009
Amendments to IFRS 7, *Financial instruments: Disclosures — Improving disclosures about financial instruments*	1 January 2009
IFRS 8, *Operating segments*	1 January 2009
Revised IAS 1, *Presentation of financial statements*	1 January 2009
Revised IAS 23, *Borrowing costs*	1 January 2009
Amendments to IAS 32, *Financial instruments: Presentation of financial statements — Puttable financial instruments and obligations arising on liquidation*	1 January 2009
IFRIC 15, *Agreements for the construction of real estate*	1 January 2009

Notes to the Consolidated Financial Statements

3. Significant Accounting Policies *(Continued)*

(u) New standards and interpretations not yet adopted *(Continued)*

	Effective for accounting periods beginning on or after
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards* • Basis for conclusions on revised IFRS 1, *First-time adoption of International Financial Reporting Standards* • Implementation guidance on revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement — Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
IFRIC 18, *Transfers of assets from customers*	Applies to transfers of assets from customers received on or after 1 July 2009
Improvements to IFRSs	1 January 2009 or 1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards — Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment — Group cash-settled share-based payment transactions*	1 January 2010

Notes to the Consolidated Financial Statements

4. Segment Reporting

Segment information is presented in respect of the Group's business segments, which is the basis of segment reporting. The business segment reporting format reflects the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets, loans and borrowings and expenses, and corporate assets and expenses. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group comprises the following main business segments:

— Frozen concentrated orange juice ("FCOJ") and its related product. The FCOJ and its related product segment carries on the business of manufacturing and distribution of FCOJ, which is produced through a sequence of processes including crushing, pressing, pasteurisation and concentrating by using fresh oranges as raw material. FCOJ and its related product are mainly used as raw material in the production of fruit juice and blended fruit juice.

— Fresh oranges. The fresh orange segment carries on the business of cultivation and selling of fresh oranges.

Other operations include business of manufacturing and selling of other fruit juice and additive products.

Geographical segment

As the Group only operates in the PRC, no geographical segment information is presented.

Notes to the Consolidated Financial Statements

4. Segment Reporting *(Continued)*

(a) For the eighteen months ended 30 June 2009

(i) Revenue and expenses

	Eighteen months ended 30 June 2009				
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Revenue from external customers	326,763	124,681	12,327	–	463,771
Inter-segment revenue	–	–	11,280	(11,280)	–
Total	326,763	124,681	23,607	(11,280)	463,771
Segment results	98,649	33,794	3,885	–	136,328
Unallocated operating income and expenses					2,175
Profit from operations					138,503
Net finance costs					(610)
Income tax					(40,426)
Profit for the period					97,467
Depreciation and land use rights amortisation	(4,789)	(1,037)	(10)	–	(5,836)

(ii) Assets and liabilities

	As at 30 June 2009			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Segment assets	209,317	78,624	252	288,193
Unallocated assets				205,538
Total assets				493,731
Segment liabilities	(18,251)	(2,478)	(245)	(20,974)
Unallocated liabilities				(18,083)
Total liabilities				(39,057)
Capital expenditure incurred during the period	80,372	6,190	74	86,636

Notes to the Consolidated Financial Statements

4. Segment Reporting *(Continued)*

(b) For the year ended 31 December 2007

(i) Revenue and expenses

	Year ended 31 December 2007				
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Inter-segment elimination RMB'000	Group RMB'000
Revenue from external customers	124,337	127,128	14,130	–	265,595
Inter-segment revenue	–	–	8,984	(8,984)	–
Total	124,337	127,128	23,114	(8,984)	265,595
Segment results	62,576	29,913	4,125	–	96,614
Unallocated operating income and expenses					639
Profit from operations					97,253
Net finance costs					(1,505)
Income tax					(25,899)
Profit for the year					69,849
Depreciation and land use rights amortisation	(2,016)	(181)	(20)	–	(2,217)

(ii) Assets and liabilities

	As at 31 December 2007			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Segment assets	103,440	100,426	202	204,068
Unallocated assets				73,395
Total assets				277,463
Segment liabilities	(12,231)	(8,519)	(956)	(21,706)
Unallocated liabilities				(53,517)
Total liabilities				(75,223)
Capital expenditure incurred during the year	896	9,696	18	10,610

Notes to the Consolidated Financial Statements

5. Other Income

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Government grants	**2,400**	647
Others	**94**	110
	2,494	757

The Group received unconditional discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

6. Personnel Expenses

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Salaries, wages and other benefits	**55,132**	34,290
Contributions to defined contribution plans	**1,648**	732
Equity-settled share-based payment (note 29(a))	**3,622**	—
	60,402	35,022

The Group participates in pension funds organised by the PRC government. According to respective pension fund regulations, the Group is required to pay annual contributions. The Group remits all the pension fund contributions to the respective social security offices, which are responsible for the payments and liabilities relating to the pension funds.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD20,000. Contributions to the scheme vest immediately.

The Group has no obligation for payment of retirement and other post retirement benefits of employees other than the contributions described above.

Notes to the Consolidated Financial Statements

7. Expenses by Nature

The following expenses are included in cost of sales, distribution costs, administrative expenses and other expenses.

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Cost of inventories*	**336,265**	202,480
Depreciation*	**5,731**	2,147
Amortisation of land use rights	**105**	70
Amortisation of rental prepayments*	**17,372**	9,201
Auditors' remuneration	**1,401**	55
Transportation	**7,416**	3,271
Operating lease charges: minimum lease payments*	**203**	150

* For the eighteen months ended 30 June 2009, cost of inventories includes RMB68,232,000 (for the year ended 31 December 2007: RMB43,356,000) relating to personnel expenses, depreciation expenses, amortisation of rental prepayments and operating lease charges. These amounts are also included in the respective expenses disclosed above or in note 6.

8. Net Finance Costs

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Interest income on bank deposits	**1,591**	222
Finance income	**1,591**	222
Interest expenses on loans and borrowings	**(1,517)**	(1,184)
Bank charges	**(56)**	(7)
Net foreign exchange loss	**(628)**	(536)
Finance expenses	**(2,201)**	(1,727)
Net finance costs	**(610)**	(1,505)

Notes to the Consolidated Financial Statements

9. Income Tax

(a) Income tax in the consolidated income statement represents:

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Current tax expense		
Provision for PRC income tax	**42,973**	30,353
Deferred tax expense		
Origination and reversal of temporary differences (note 27(b))	**(2,547)**	(4,454)
	40,426	25,899

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provision has been made for Hong Kong profits tax as the Group did not have assessable profit subject to Hong Kong profits tax.

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Prior to 31 December 2007

The applicable tax rates of the Group's operating subsidiaries in the PRC are 33% for the year ended 31 December 2007, except for a subsidiary which is entitled to a preferential PRC foreign enterprise income tax rate of 27%.

Since 1 January 2008

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law") which became effective on 1 January 2008, when the existing income tax rules and regulations of the PRC applicable to foreign investment enterprises were abolished. The New Tax Law adopts a uniform tax rate of 25% for all enterprises including foreign investment enterprises.

The applicable income tax rate of the Group's operating subsidiaries in the PRC is 25%.

Notes to the Consolidated Financial Statements

9. Income Tax *(Continued)*

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Profit before tax	**137,893**	95,748
Income tax computed by applying the tax rate of 25% to profit before tax (for the year ended 31 December 2007: 27%)	**34,473**	25,852
Effect of non-deductible expenses	**3,934**	343
Effect of differences in tax rates of subsidiaries	**1,314**	628
Effect of change in tax rate on deferred tax balance	**–**	(197)
Effect of recognition of deferred tax liabilities arising from undistributed retained earnings of PRC subsidiaries (note 27(a))	**725**	–
Others	**(20)**	(727)
Income tax	**40,426**	25,899

10. Directors' Remuneration

Details of directors' remuneration of the Company are as follows:

	Eighteen months ended 30 June 2009					
	Directors' fees RMB'000	**Salaries, allowances and benefits in kind RMB'000**	**Discretionary bonuses RMB'000**	**Contribution to defined contribution plans RMB'000**	**Share-based payments RMB'000**	**Total RMB'000**
Executive Directors						
Mr. Hong Hong U	550	–	–	–	381	931
Mr. Sin Ke	725	188	250	–	572	1,735
Mr. San Kwan	550	–	–	–	763	1,313
Independent Non-executive Directors						
Mr. Zhuang Xueyuan	44	–	–	–	–	44
Mr. Zhuang Weidong	44	–	–	–	–	44
Mr. Tu Zongcai	44	–	–	–	–	44
Total	1,957	188	250	–	1,716	4,111

Notes to the Consolidated Financial Statements

10. Directors' Remuneration *(Continued)*

	Year ended 31 December 2007					
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to defined contribution plans RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors						
Mr. Hong Hong U	–	–	–	–	–	–
Mr. Sin Ke	300	96	–	–	–	396
Mr. San Kwan	–	–	–	–	–	–
Total	300	96	–	–	–	396

An analysis of directors' remuneration by the number of directors and remuneration range is set out below:

	Eighteen months ended 30 June 2009 Number of directors	Year ended 31 December 2007 Number of directors
Nil to RMB1,000,000	**4**	3
RMB1,000,000 to RMB1,500,000	**1**	—
RMB1,500,000 to RMB2,000,000	**1**	—
	6	3

During the eighteen months ended 30 June 2009 and the year ended 31 December 2007, no amount was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was also no arrangement under which a director waived or agreed to waive any remuneration during the eighteen months ended 30 June 2009 and the year ended 31 December 2007.

Notes to the Consolidated Financial Statements

11. Five Individuals With Highest Emoluments

The five highest paid individuals of the Group during the eighteen-month period ended 30 June 2009 include 3 directors of the Group (for the year ended 31 December 2007: 1), whose emoluments are disclosed in note 10. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Salaries, allowance and other benefits in kind	**269**	304
Contribution to defined contribution plans	**41**	45
Discretionary bonuses	**275**	—
Share-based payments	**858**	—
	1,443	349

An analysis of their emoluments by number of employees and emolument range is set out below:

	Eighteen months ended 30 June 2009	Year ended 31 December 2007
Nil to RMB1,000,000	**2**	4

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the eighteen months ended 30 June 2009 and the year ended 31 December 2007.

12. Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB3,103,000 which has been dealt with in the financial statements of the Company.

Notes to the Consolidated Financial Statements

13. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share for the eighteen months ended 30 June 2009 is based on the profit attributable to the equity shareholders of the Company of RMB95,064,000 (for the year ended 31 December 2007: RMB62,818,000) and the weighted average number of 912,705,667 ordinary shares (for the year ended 31 December 2007: 750,000,000 ordinary shares) of the Company (after adjusting for the effect of capitalisation issue and acquisition of minority interests, as if all of those shares were outstanding throughout the eighteen months period ended 30 June 2009), calculated as follows:

Weighted average number of ordinary shares

	Eighteen months ended 30 June 2009	Year ended 31 December 2007
Issued ordinary shares	**100,000,000**	100,000,000
Effect of capitalisation issue	**650,000,000**	650,000,000
Effect of the initial public offering	**162,705,667**	—
Weighted average number of ordinary shares	**912,705,667**	750,000,000

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the year ended 31 December 2007 and therefore, diluted earnings per share for the year ended 31 December 2007 are not presented.

The calculation of diluted earnings per share for the eighteen months ended 30 June 2009 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB95,064,000 and the weighted average number of ordinary shares outstanding (diluted), after adjusting for the effect of all dilutive potential ordinary shares, of 913,457,182, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Eighteen months ended 30 June 2009
Weighted average number of ordinary shares	**912,705,667**
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**751,515**
Weighted average number of ordinary shares (diluted)	**913,457,182**

The average market value of the Company's shares for purpose of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Notes to the Consolidated Financial Statements

14. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
As at 1 January 2007	2,897	23,932	217	463	–	27,509
Additions	–	582	141	128	9,759	10,610
Transfers	5,377	151	–	–	(5,528)	–
Disposals	–	–	(48)	(72)	–	(120)
As at 31 December 2007	8,274	24,665	310	519	4,231	37,999
At 1 January 2008	8,274	24,665	310	519	4,231	37,999
Additions	–	21,409	272	3,161	61,794	86,636
Transfers	13,177	731	–	–	(13,908)	–
Disposals	–	(4)	(84)	–	–	(88)
As at 30 June 2009	21,451	46,801	498	3,680	52,117	124,547
Accumulated depreciation						
As at 1 January 2007	(703)	(7,397)	(195)	(211)	–	(8,506)
Depreciation charge for the year	(254)	(1,839)	(15)	(39)	–	(2,147)
Disposals	–	–	45	68	–	113
As at 31 December 2007	(957)	(9,236)	(165)	(182)	–	(10,540)
As at 1 January 2008	(957)	(9,236)	(165)	(182)	–	(10,540)
Depreciation charge for the period	(1,168)	(4,248)	(74)	(241)	–	(5,731)
Disposals	–	4	80	–	–	84
As at 30 June 2009	(2,125)	(13,480)	(159)	(423)	–	(16,187)
Net book value						
As at 30 June 2009	19,326	33,321	339	3,257	52,117	108,360
As at 31 December 2007	7,317	15,429	145	337	4,231	27,459

As at 31 December 2007, property, plant and equipment with carrying amount of RMB1,068,000 were pledged to banks as security for certain loans (note 24).

All of the property, plant and equipment owned by the Group are located in the PRC.

Notes to the Consolidated Financial Statements

15. Land Use Rights

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
As at 1 January	**2,521**	2,591
Additions	**1,000**	—
Less: amortisation	**(105)**	(70)
End of the period/year	**3,416**	2,521

As at 31 December 2007, the land use rights in Fujian with a carrying amount of RMB2,521,000 were pledged to banks as security for certain loans (note 24).

As at 30 June 2009, the Group was in the process of obtaining a land use rights certificate for its land in Chongqing with a carrying amount of RMB1,000,000 (31 December 2007: nil).

All the Group's land use rights are for land located in the PRC.

16. Rental Prepayments

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
As at 1 January	**18,328**	27,529
Add: Additions	**49,365**	—
Less: amortisation	**(17,372)**	(9,201)
End of the period/year	**50,321**	18,328

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Representing:		
Current portion	**14,570**	8,971
Non-current portion	**35,751**	9,357
	50,321	18,328

This represents prepayments of long-term rentals of orange farms as at the balance sheet dates under operating lease.

All of the orange farms leased by the Group are located in the PRC.

Notes to the Consolidated Financial Statements

17. Pledged Bank Deposits

The amount represents deposits pledged at banks to secure bank loans granted to the Group (note 24). The pledged bank deposits will be released upon the termination of the relevant loan instruments.

18. Investments in Subsidiaries

The Company

	As at 30 June 2009 RMB'000
Unlisted shares, at cost	**45,020**

The particulars of subsidiaries, which principally affected the results, assets or liabilities of the Group, are disclosed in note 1.

19. Inventories

(a) Inventories in the consolidated balance sheet comprise:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Oranges	**–**	31,745
Frozen concentrated juice	**9,332**	1,113
Consumables and packing materials	**229**	202
	9,561	33,060

(b) No provisions were made against inventories as at 30 June 2009 (31 December 2007: RMB410,000).

Notes to the Consolidated Financial Statements

19. Inventories *(Continued)*

(c) The analysis of the amount of inventories recognised as an expense is as follows:

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Carrying amount of inventories sold	**329,956**	201,315
Write-down of inventories	**6,309**	1,165
	336,265	202,480

(d) Production quantities of agricultural produce:

	Eighteen months ended 30 June 2009 tonnes	Year ended 31 December 2007 tonnes
Oranges	**97,843**	98,033

20. Biological Assets

Movements in biological assets, representing immature oranges before harvest, are summarised as follows:

		Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
As at 1 January		**5,799**	5,777
Increase due to cultivation		**121,550**	80,224
Gain from changes in fair value less estimated point-of-sale costs	(i)	**44,352**	44,001
Harvested oranges transferred to inventories		**(116,443)**	(124,203)
End of the period/year	(ii)	**55,258**	5,799

Notes to the Consolidated Financial Statements

20. Biological Assets *(Continued)*

(i) The directors measured the fair value of oranges at harvest based on market prices as at or close to the harvest dates.

(ii) All oranges are harvested annually and are harvested shortly before the calendar year end. At 31 December 2007, little biological transformation for the following year's harvest had taken place and therefore biological assets are stated at cost as the directors consider that their fair value as at 31 December 2007 cannot be measured reliably and no reliable alternative estimates exist to determine fair value.

In addition, the directors consider that there is no active market for the immature oranges before harvest as at 30 June 2009. The present value of expected cash flows is not considered 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 pesticide prevention. As such, the directors consider that the fair value of biological assets at 30 June 2009 cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, biological assets as at 30 June 2009 continue to be stated at cost.

The carrying value of biological assets as at period/year end represents cultivation costs incurred including fertilisers, pesticides, labour costs and orange farm rental costs.

21. Trade and Other Receivables

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Trade receivables	**63,702**	113,784
Prepayments	**445**	8,060
Other receivables	**956**	669
	65,103	122,513

The Company

	As at 30 June 2009 RMB'000
Other receivables	**164**

All of the trade and other receivables of the Group and of the Company are expected to be recovered within one year.

Notes to the Consolidated Financial Statements

21. Trade and Other Receivables *(Continued)*

The Group's credit policy is set out in note 30(a). Customers are normally granted a credit term of not more than 90 days depending on the credit worthiness of individual customers.

(a) Ageing analysis

An ageing analysis of the trade receivables as of the balance sheet dates is as follows:

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Within three months	**63,658**	113,455
Over three months but less than six months	**42**	5
Over six months but less than one year	**2**	324
	63,702	113,784

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Neither past due nor impaired	**63,658**	113,455
Less than three months past due	**42**	5
Three months to one year past due	**2**	324
	44	329
	63,702	113,784

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on the past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Consolidated Financial Statements

22. Time Deposits

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Balances with banks	**2,678**	—

The time deposits with banks as at 30 June 2009 are with a term of six months and bear fixed interest rate of 0.5% per annum.

23. Cash and Cash Equivalents

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Denominated in RMB	**192,244**	55,658
Denominated in HKD	**877**	12,125
Total cash and cash equivalents	**193,121**	67,783

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government. Information about the Group's exposure to interest rate risk is disclosed in note 30.

The Company

	As at 30 June 2009 RMB'000
Denominated in HKD	**599**

Notes to the Consolidated Financial Statements

24. Loans and Borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. Information about the Group's exposure to liquidity and interest rate risk is disclosed in note 30.

(a) Loans and borrowings were repayable as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Within 1 year	**–**	17,000
After 2 years but within 3 years	**–**	35,000
After 3 years	**5,100**	—
	5,100	52,000
Representing:		
Secured bank loan	**5,100**	12,000
Unsecured bank loan	**–**	5,000
Unsecured equity shareholder's loan (note 29(a)(v))	**–**	35,000
	5,100	52,000

The above loans and borrowings were all denominated in RMB.

The secured bank loan of RMB5,100,000 is an interest-free entrusted bank loan extended by a local finance bureau of the PRC, in support of the Group's operations in agricultural industry.

(b) Interest rates per annum on the loans and borrowings were:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Secured bank loans	**0%**	8.31%
Unsecured bank loans	**–**	8.44%
Unsecured equity shareholder's loan	**–**	6.50%

Notes to the Consolidated Financial Statements

24. Loans and Borrowings *(Continued)*

(c) The above secured borrowings were secured by certain assets of the Group. An analysis of the carrying value of these assets is as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Pledged bank deposits (note 17)	**5,100**	—
Property, plant and equipment (note 14)	**—**	1,068
Land use rights (note 15)	**—**	2,521
	5,100	3,589

Two directors of the Company, Messrs. Sin Ke and San Kwan, collectively provided personal guarantees in favour of a bank to guarantee the Group's bank loans amounting to RMB17,000,000 as at 31 December 2007. The personal guarantees provided by Messrs. Sin Ke and San Kwan were fully released during the eighteen months ended 30 June 2009.

Unsecured bank loan as at 31 December 2007 was guaranteed by Quanzhou Zhongding Investment & Guaranty Co., Ltd. (泉州市中鼎擔保投資有限公司)*, an unrelated third party. The guarantee was fully released during the eighteen months ended 30 June 2009.

* The English translation of the above company's name is for reference only. The official name of this company is in Chinese.

Notes to the Consolidated Financial Statements

25. Trade and Other Payables

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Trade payables	**9,960**	202
Other payables and accrued expenses	**8,968**	5,425
	18,928	5,627

The Company

	As at 30 June 2009 RMB'000
Other payables and accrued expenses	**1,200**

All of the trade and other payables are expected to be settled within one year. Information about the Group's exposure to liquidity risk is disclosed in note 30.

(a) An ageing analysis of the trade payables is analysed as follows:

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Not past due	**9,960**	202

(b) Other payables and accrued expenses comprise the following items:

The Group

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Other tax payables	**3,184**	3,908
Salaries and bonuses payable	**3,800**	388
Accrued expenses	**1,277**	613
Other payables	**707**	516
	8,968	5,425

Notes to the Consolidated Financial Statements

26. Deferred Income

Deferred income represents local government grant of RMB11,000,000 received in the eighteen months ended 30 June 2009 for supporting the Group's investment in a concentrated fruit juice production plant. The grant is recognised as income over the estimated useful lives of the production plant assets. As at 30 June 2009, the relevant assets are still under construction and no income has been recognised.

27. Deferred Tax Assets And Liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 30 June 2009 and 31 December 2007 are attributable to the following:

	Assets		Liabilities		Net	
	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000	**As at 30 June 2009 RMB'000**	As at 31 December 2007 RMB'000	**As at 30 June 2009 RMB'000**	As at 31 December 2007 RMB'000
Accrued bonuses	**(813)**	–	**–**	–	**(813)**	–
Fair value gain included in inventory	**–**	–	**–**	2,459	**–**	2,459
Undistributed retained earnings of PRC subsidiaries	**–**	–	**725**	–	**725**	–
	(813)	–	**725**	2,459	**(88)**	2,459

Pursuant to the New Tax Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As the Company controls the dividend policy of the Group's PRC subsidiaries, as at 30 June 2009, deferred tax liabilities of RMB725,000 (31 December 2007: nil) have been recognised in respect of the tax that would be payable on the portion of the retained profits of the Group's PRC subsidiaries which the directors expect to be distributed by them in the foreseeable future. Deferred tax liabilities of RMB4,447,000 have not been recognised as at 30 June 2009 (31 December 2007: nil), as the directors consider it probable that a portion of the profits earned by the Group's PRC subsidiaries for the period from 1 January 2008 to 30 June 2009 would not be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements

27. Deferred Tax Assets And Liabilities *(Continued)*

(b) Movements in deferred tax balances relating to temporary differences are as follows:

	As at 1 January 2007 RMB'000	Recognised in consolidated income statement RMB'000	As at 31 December 2007 RMB'000	Recognised in consolidated income statement RMB'000	**As at 30 June 2009 RMB'000**
Accrued bonus	—	—	—	(813)	**(813)**
Fair value gain included in inventory	6,913	(4,454)	2,459	(2,459)	**—**
Undistributed retained earnings of PRC subsidiaries	—	—	—	725	**725**
	6,913	(4,454)	2,459	(2,547)	**(88)**

28. Share-based Payments

A share option scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 7 June 2008 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to recognise, motivate and provide incentives to those who make contribution to the Group and to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The qualified participants include (i) any full-time or part-time employee of any member of the Group; (ii) any consultant or adviser of any member of the Group; (iii) any director (including executive, non-executive or independent non-executive directors) of any member of the Group; (iv) any substantial shareholder of any member of the Group; and (v) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group.

On 18 November 2008 (the "Grant Date"), the Company granted 39,000,000 share options with a subscription price of HKD0.75 per share to certain qualified participants, all of whom were full-time employees of the Group.

Notes to the Consolidated Financial Statements

28. Share-based Payments *(Continued)*

(a) The terms and conditions of the grants that existed during the contractual life of these options are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Vesting condition and exercisable percentage condition	Up to %	Contractual life of options
Options granted to the employees of the Group on 18 November 2008	39,000,000	One year from the Grant Date	31.3	10 years
		Two years from the Grant Date	31.3	
		Three years from the Grant Date	37.4	

(b) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HKD	Number of options
Outstanding at 1 January 2008	—	—
Granted during the period	0.75	39,000,000
Lapsed during the period	0.75	(1,000,000)
Outstanding at 30 June 2009	0.75	38,000,000
Exercisable at 30 June 2009		nil

No share option has been exercised during the eighteen months ended 30 June 2009.

The options outstanding at 30 June 2009 had an exercise price of HKD0.75 and a remaining contractual life of 9.39 years.

During the eighteen months ended 30 June 2009, 1,000,000 share options lapsed due to the resignation of an employee. Apart from this, no share option has been exercised, lapsed or cancelled pursuant to the Share Option Scheme during the eighteen months ended 30 June 2009.

Notes to the Consolidated Financial Statements

28. Share-based Payments *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial option pricing model and the assumptions below. The contractual life of the options is used as an input into this model. Expectations of early exercise are incorporated into the binomial option pricing model.

	At 18 November 2008 (Grant Date)
Fair value at measurement date	HKD11,899,000
Share price	HKD0.75
Exercise price	HKD0.75
Expected volatility	57.30%
Expected dividend yield	1.86%
Option life	10 years
Risk free interest rate (based on Hong Kong Exchange Fund Notes Rate)	1.55%

The expected volatility was determined with reference to the volatilities of comparable companies. Expected dividends are based on management's estimation on the Grant Date. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. The condition has not been taken into account in the Grant Date fair value measurement of the services received. There were no market conditions associated with the share option granted.

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves

(a) The Group

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (note 29(d))	Share premium RMB'000 (note 29(e))	Capital reserve RMB'000 (note 29(f))	Statutory reserves RMB'000 (note 29(g))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
As at 1 January 2007	18,000	–	3,227	1,050	–	96,875	119,152	13,239	132,391
Profit for the year	–	–	–	–	–	62,818	62,818	7,031	69,849
Capital injection (i)	0	–	–	–	–	–	0	–	0
Arising on Reorganisation (ii)	(17,270)	17,270	–	–	–	–	–	–	–
Appropriation to statutory reserves	–	–	–	8,960	–	(8,960)	–	–	–
As at 31 December 2007	730	17,270	3,227	10,010	–	150,733	181,970	20,270	202,240
Profit for the period	–	–	–	–	–	95,064	95,064	2,403	97,467
Capital injection by minority shareholders (viii)	–	–	–	–	–	–	–	1,100	1,100
Arising on Reorganisation (iii)	71	(71)	–	–	–	–	–	–	–
Acquisition of minority interests (iv)	89	23,332	358	–	–	–	23,779	(23,673)	106
Waiver of an equity shareholder's loan (v)	–	–	36,396	–	–	–	36,396	–	36,396
Issue of shares on capitalisation of share premium account (vi)	5,706	(5,706)	–	–	–	–	–	–	–
Issue of shares through Initial Public Offering (vii)	2,195	136,074	–	–	–	–	138,269	–	138,269
Share issue expenses (vii)	–	(24,525)	–	–	–	–	(24,525)	–	(24,525)
Appropriation to statutory reserves	–	–	–	11,840	–	(11,840)	–	–	–
Equity settled share-based payment (note 28)	–	–	3,622	–	–	–	3,622	–	3,622
Exchange difference on translation into presentation currency	–	–	–	–	(1)	–	(1)	–	(1)
As at 30 June 2009	8,791	146,374	43,603	21,850	(1)	233,957	454,574	100	454,674

(i) On 17 July 2007, Sunshine Vocal was incorporated with limited liability. On 12 October 2007, 1 share of USD1.00 in Sunshine Vocal, credited as fully paid, was allotted and issued to Mr. Hong Hong U, the Group's ultimate controlling equity shareholder.

(ii) On 22 October 2007, Potel Limited, a wholly owned subsidiary of Sunshine Vocal, acquired 90% equity interest in Summi Fujian at a consideration of RMB18,000,000, from Macau Dehong, a company wholly owned by Mr. Hong Hong U. On the same day, the amount owing to Macau Dehong of RMB18,000,000 was settled by the allotment of 99,999 shares of Sunshine Vocal of USD1.00 each (equivalent to RMB730,000 in total), credited as fully paid to Mr. Hong Hong U.

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves *(Continued)*

(a) The Group *(Continued)*

(iii) Pursuant to written resolutions of the board of directors of the Company passed on 22 May 2008, the Company acquired the entire equity interest in Sunshine Vocal by issuing 90,000,000 shares of HKD0.01 each (equivalent to RMB801,000 in total).

(iv) Prior to 20 December 2007, 10% equity interest in Summi Fujian was held by an unrelated domestic company in the PRC. On 20 December 2007, Quanzhou Yuansen acquired this 10% interest in Summi Fujian. On 29 December 2007, Quanzhou Yuansen sold this 10% interest at cost to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited.

Both Rich Anges Limited and Manwell (China) Limited were wholly owned by Mr. Sin Ke from their establishment date to 22 May 2008 and were not under the control of the Group's ultimate controlling equity shareholder, Mr. Hong Hong U, until 22 May 2008, when Rich Anges Limited and Manwell (China) Limited were acquired by the Company as part of the Reorganisation. Accordingly the 10% equity interest in Summi Fujian held by Manwell (China) Limited has been presented as minority interests in the financial statements as at 31 December 2007.

Pursuant to a share transfer agreement, on 22 May 2008, the Company acquired the entire share capital of Rich Anges Limited by issuing 10,000,000 shares of HKD0.01 each (equivalent to RMB89,000 in total) to Mr. Sin Ke credited as fully paid.

The aggregated carrying amount of Rich Anges Limited and Manwell (China) Limited's net assets in the consolidated financial statements on the date of the acquisition was RMB106,000.

(v) On 2 June 2008, an equity shareholder's loan of RMB35,000,000 together with accrued interest of RMB1,396,000 was waived by Mr. Hong Hong U and credited to the capital reserve of the Group.

(vi) Pursuant to a written resolution of all the shareholders of the Company passed on 7 June 2008, 650,000,000 ordinary shares of HKD0.01 each in the Company were issued at par value on 10 July 2008 to the Company's existing shareholders as at 7 June 2008 by way of capitalisation of HKD6,500,000 (equivalent to RMB5,706,000) from the share premium account.

(vii) On 10 July 2008, 250,000,000 additional ordinary shares were issued and offered for subscription at a price of HKD0.63 per share upon the listing of the Company's shares on the Stock Exchange. Of the proceeds, RMB2,195,000, representing the par value of the shares, were credited to the Company's share capital. The remaining proceeds (net of share issue expenses) of RMB111,549,000 were credited to the share premium account.

(viii) On 2 January 2008 and 19 December 2008, the minority shareholder of Summi Fujian and the minority shareholder of Sanming Tianyi injected additional capital of RMB1,000,000 and RMB100,000 to these entities, respectively.

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves *(Continued)*

(b) The Company

	Share capital RMB'000 (note 29(c))	Share premium RMB'000 (note 29(e))	Capital reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 5 February 2008 (date of incorporation)	–	–	–	–	–	–
Arising on Reorganisation ((a) (iii))	801	17,199	–	–	–	18,000
Acquisition of minority interests ((a) (iv))	89	23,332	358	–	–	23,779
Issue of shares on capitalisation of share premium account ((a) (vi))	5,706	(5,706)	–	–	–	–
Issue of shares through Initial Public Offering ((a) (vii))	2,195	136,074	–	–	–	138,269
Share issue expenses ((a) (vii))	–	(24,525)	–	–	–	(24,525)
Equity settled share-based payment (note 28)	–	–	3,622	–	–	3,622
Loss for the period	–	–	–	–	(3,103)	(3,103)
Exchange difference on translation into presentation currency	–	–	–	170	–	170
As at 30 June 2009	8,791	146,374	3,980	170	(3,103)	156,212

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves *(Continued)*

(c) Authorised and issued share capital of the Company

	Number of shares	'000
Authorised:		
Ordinary shares of HKD0.01 each:		
At 5 February 2008	38,000,000	HKD380
Increase in authorised share capital	2,962,000,000	HKD29,620
At 30 June 2009	3,000,000,000	HKD30,000
Equivalent to:		RMB26,376
Ordinary shares, issued and fully paid:		
At 5 February 2008	—	—
Arising on Reorganisation (note 29(a)(iii))	90,000,000	RMB801
Acquisition of minority interests (note 29(a)(iv))	10,000,000	RMB89
Issue of shares on capitalisation of share premium account (note 29(a)(vi))	650,000,000	RMB5,706
Issue of shares through Initial Public Offering (note 29(a)(vii))	250,000,000	RMB2,195
At 30 June 2009	1,000,000,000	RMB8,791

The Company was incorporated in the Cayman Islands on 5 February 2008 with an authorised share capital of 38,000,000 shares of HKD0.01 each. One share of HKD0.01 was issued nil paid and allotted to the subscriber to the memorandum and articles of association of the Company and was transferred to Key Wise Group Limited on the same day.

On 22 May 2008, by a written resolution of all the shareholders of the Company, the authorised share capital of the Company was increased from HKD380,000 to HKD30,000,000 by the creation of additional 2,962,000,000 shares of HKD0.01 each, each ranking pari passu with the shares then in issue.

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.

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves *(Continued)*

(d) Share capital

As disclosed in note 2, the Group's consolidated financial statements have been prepared under the merger accounting method and accordingly, financial statements of companies comprising the Group during the periods presented were consolidated as if the Group existed on 1 January 2007.

Share capital in the consolidated balance sheet as at 1 January 2007 represents the paid-in capital of Summi Fujian attributable to the Company's controlling equity shareholders at that date.

Share capital in the consolidated balance sheet as at 31 December 2007 represents the aggregate amount of paid-in capital of the companies comprising the Group, after elimination of investments in subsidiaries.

Share capital in the consolidated balance sheet as at 30 June 2009 represents the issued capital of the Company comprising 1,000,000,000 shares of HKD0.01 each (equivalent to RMB8,791,000 in total).

(e) Share premium

Share premium in the consolidated balance sheet as at 31 December 2007 and 30 June 2009 represented the share premium of Sunshine Vocal and the Company, respectively.

The application of the share premium account of the Company is governed by the Companies Law of the Cayman Islands. The share premium is distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

(f) Capital reserve

The capital reserve in the consolidated balance sheet at 30 June 2009 represents the excess of paid-in capital of Summi Fujian of RMB3,585,000, the capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB36,396,000, and 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 share-based payments in note 3(m)(iii).

The capital reserve in the consolidated balance sheet at 31 December 2007 represented Sunshine Vocal's attributable share of the excess of paid-in capital of Summi Fujian.

Notes to the Consolidated Financial Statements

29. Share Capital and Reserves *(Continued)*

(g) Statutory reserves

Statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the Group's PRC subsidiaries. Transfers to the reserves were approved by the boards of directors of these companies.

(i) Statutory surplus reserve

The Group's PRC subsidiaries are required to transfer no less than 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capitals. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(ii) Discretionary surplus reserve

The Group's PRC subsidiaries made appropriations to discretionary surplus reserve in accordance with their board of directors' resolutions.

(h) Distributable reserves

At 30 June 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB143,271,000.

(i) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business. The directors define the capital of the Group as the total shareholders' equity.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure closely, and adjusts its level of loans and borrowings, trade and other payables and dividend payments to safeguard the Group's ability to continue as a going concern.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Consolidated Financial Statements

30. Financial Instruments

The Group's business strategies, tolerance of risk and general risk management philosophy are determined by management in accordance with prevailing economic and operating conditions. In the opinion of the directors, the Group has taken appropriate quality control measures to mitigate the effect from any claims caused by products, which may affect adversely its financial results.

The Group's financial assets comprise mainly cash and cash equivalents, and trade and other receivables. The Group's financial liabilities include loans and borrowings, and trade and other payables.

The Group has no derivative instruments that are designated and qualified as hedging instruments. Exposure to credit, liquidity, interest rate, currency and business risks arises in the normal course of the Group's business.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Group's receivables from customers.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The board has established a credit policy under which credit evaluations are performed on all customers requiring credit. These receivables are due within 90 days from the date of billing. The Group does not collect collateral in respect of trade and other receivables.

At the balance sheet dates, the Group has a certain concentration of credit risk. 12% and 40% of the total trade receivables were due from the Group's largest trade debtor and the five largest trade debtors as at 30 June 2009 (31 December 2007: 9% and 34%), respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

(ii) Deposits with banks

All the bank deposits are deposited with financial institutions which the directors consider have no significant credit risk. The management does not expect any losses arising from non-performance of the financial institutions.

Notes to the Consolidated Financial Statements

30. Financial Instruments *(Continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's net current assets amounted to RMB318,059,000 and RMB200,362,000 as at 30 June 2009 and 31 December 2007, respectively. The Group recorded a net cash inflow from operating activities of approximately RMB105,111,000 and RMB25,616,000 for the eighteen-month period ended 30 June 2009 and the year ended 31 December 2007, respectively. For the eighteen-month period ended 30 June 2009 and the year ended 31 December 2007, the Group had an increase in cash and cash equivalents of RMB125,338,000 and RMB51,332,000, respectively.

The following table shows the time periods after the balance sheet dates during which contractual payments, presented on an undiscounted basis, are due to be made. These payments include, among others, interest payments computed using contractual rates (for fixed rate instruments) under the Group's and the Company's non-derivative financial liabilities which are due to be paid.

The Group

	As at 30 June 2009					
	Carrying amount RMB'000	**Total contracted undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	**More than 1 year within 2 years RMB'000**	**More than 2 years within 3 years RMB'000**	**More than 3 years RMB'000**
Trade and other payables	**18,928**	**(18,928)**	**(18,928)**	**–**	**–**	**–**
Loans and borrowings	**5,100**	**(5,100)**	**–**	**–**	**–**	**(5,100)**
	24,028	**(24,028)**	**(18,928)**	**–**	**–**	**(5,100)**

	As at 31 December 2007				
	Carrying amount RMB'000	Total contracted undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year within 2 years RMB'000	More than 2 years within 3 years RMB'000
Trade and other payables	5,627	(5,627)	(5,627)	–	–
Loans and borrowings	52,000	(59,197)	(19,647)	(2,275)	(37,275)
	57,627	(64,824)	(25,274)	(2,275)	(37,275)

Notes to the Consolidated Financial Statements

30. Financial Instruments *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	As at 30 June 2009					
	Carrying amount RMB'000	Total contracted undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year within 2 years RMB'000	More than 2 years within 3 years RMB'000	More than 3 years RMB'000
Trade and other payables	1,200	(1,200)	(1,200)	–	–	–
Payables due to subsidiaries	11,837	(11,837)	–	–	–	(11,837)
Trade and other payables	13,037	(13,037)	(1,200)	–	–	(11,837)

(c) Interest rate risk

The interest rates and maturity information of the Group's loans and borrowings are disclosed in note 24. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the balance sheet date would not affect profit or loss.

Notes to the Consolidated Financial Statements

30. Financial Instruments *(Continued)*

(c) Interest rate risk *(Continued)*

Effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing liabilities, the following table indicates their effective interest rates at the balance sheet dates and the periods in which they reprice or the maturity dates, if earlier:

The Group

	As at 30 June 2009				
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	more than 3 years RMB'000
Fixed rate instruments					
Time deposits	0.50%	2,678	–	–	–
Pledged bank deposits	4.77%-5.13%	–	–	2,550	2,550
		2,678	–	2,550	2,550
Variable rate instruments					
Cash at bank	0.01%-0.36%	193,121	–	–	–

	As at 31 December 2007			
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Fixed rate instruments				
Loans and borrowings	7.39%	(17,000)	–	(35,000)
Variable rate instruments				
Cash at bank	0.77%	67,783	–	–

The Company

	As at 30 June 2009			
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Variable rate instruments				
Cash at bank	0.01%	599	–	–

Notes to the Consolidated Financial Statements

30. Financial Instruments *(Continued)*

(d) Foreign currency risk

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes.

(e) Business risk

The Group's revenue depends significantly on the ability to harvest oranges at adequate levels. The ability to harvest oranges in the Group's leased orange farms and the growth of the oranges may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of oranges available for harvesting in the Group's leased orange farms, which in turn may have a material adverse effect on the Group's ability to produce the products in sufficient quantities and quality. The Group has procedures in place aimed at monitoring and mitigating exposures to diseases, including regular farms inspections and pesticide prevention.

The Group has certain concentration risk of sales to its current major customers. The Group's revenue from five largest customers amounted to approximately RMB205,750,000 and RMB89,952,000 which accounted for approximately 44% and 34% of the Group's total revenue for the eighteen months ended 30 June 2009 and the year ended 31 December 2007, respectively. The Group has no long-term contractual arrangement with these customers and there is no assurance that these major customers will continue their business dealings with the Group or that the revenue generated from dealing with these customers will increase or be maintained in the future. In the event that these customers ceased to purchase products from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability would be adversely affected.

The Group is exposed to financial risks arising from changes in prices of oranges, concentrated orange juice and the change in cost and supply of fertiliser and pesticides, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

Notes to the Consolidated Financial Statements

30. Financial Instruments *(Continued)*

(f) Fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 30 June 2009 and 31 December 2007, respectively. The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) Cash and cash equivalents, trade and other receivables, time deposits, and trade and other payables

The carrying amounts approximate their respective fair values due to the short-term maturity of these instruments.

(ii) Loans and borrowings

The carrying amount of loans and borrowings approximate their fair value based on the borrowing rates currently available for bank loans with similar terms and maturities.

31. Commitments

(a) Capital commitments that relate to purchase of land use rights, property, plant, and equipment outstanding at of the balance sheet date not provided for in the financial statements were as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Authorised and contracted for	**49,995**	1,002

(b) Non-cancellable operating lease rentals are payable as follows:

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Less than one year	**115**	150
Between one and five years	**144**	497
	259	647

Notes to the Consolidated Financial Statements

32. Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Name and relationship with related parties

Transactions with the following parties are considered as related party transactions:

Name of party	Relationships
Mr. Hong Hong U	Controlling shareholder of the Company
Macau Dehong	A company wholly owned by the controlling shareholder of the Company, Mr. Hong Hong U
Riri (Quanzhou) Drink Co., Ltd.* 日日（泉州）飲料有限公司	A company owned by Ms. Hong Manna, who is the spouse of Mr. Sin Ke and is the sister of the controlling shareholder of the Company, Mr. Hong Hong U
Mr. Sin Ke	Member of key management personnel and brother-in-law of the controlling shareholder of the Company, Mr. Hong Hong U
Mr. San Kwan	Brother of Mr. Sin Ke, a member of key management personnel

* The English translation of the company name of this entity is for reference only. The official name of this entity is in Chinese. Ms. Hong Manna transferred her 100% equity interest in Riri (Quanzhou) Drink Co., Ltd. to an independent third party on 13 December 2007.

(b) Significant non-recurring related party transactions

Particulars of significant non-recurring related party transactions are as follows:

(i) *Sales of concentrated orange juice*

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Riri (Quanzhou) Drink Co., Ltd.	**–**	3,241

The directors of the Company are of the opinion that the above transactions with related party were conducted on normal commercial terms with reference to comparable market prices and in the ordinary course of business.

Notes to the Consolidated Financial Statements

32. Related Party Transactions *(Continued)*

(b) Significant non-recurring related party transactions *(Continued)*

(ii) Acquisition of Summi Fujian's 90% equity interest

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Macau Dehong	**—**	18,000

On 22 October 2007, Potel Limited acquired 90% equity interest of Summi Fujian from Macau Dehong for cash consideration of RMB18,000,000, which equaled to 90% of Summi Fujian's paid-in capital as at 22 October 2007.

(iii) Bank loan guarantee collectively provided by

	As at 30 June 2009 RMB'000	As at 31 December 2007 RMB'000
Messrs. Sin Ke and San Kwan	**—**	17,000

(iv) Waiver of an equity shareholder's loan and related interest by

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Mr. Hong Hong U	**36,396**	—

(v) Acquisition of minority interests from

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Mr. Sin Ke	**23,673**	—

Notes to the Consolidated Financial Statements

32. Related Party Transactions *(Continued)*

(c) Receivables due from subsidiary:

The Company

	As at 30 June 2009 RMB'000
Subsidiary	123,466

The amount of the Company's receivables due from a subsidiary does not have a fixed repayment date and bears no interest. The directors consider that it is expected to be recovered after one year.

(d) Payables due to subsidiaries:

The Company

	As at 30 June 2009 RMB'000
Subsidiaries	11,837

The amounts of the Company's payables due to the subsidiaries do not have fixed repayment dates and bear no interest. The directors consider that these payables are expected to be settled after one year.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 10 and the highest paid employees as disclosed in note 11, are as follows:

	Eighteen months ended 30 June 2009 RMB'000	Year ended 31 December 2007 RMB'000
Short term employee benefits	4,070	1,092
Share-based payments	3,145	—
Contribution to defined contribution plans	137	92
	7,352	1,184

Notes to the Consolidated Financial Statements

33. Accounting Estimates and Judgements

Notes 28 and 30 contain information about the assumptions and their risk factors relating to share-based payment and financial instruments. Other judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed below.

(a) Useful lives of property, plant and equipment

The directors determine the estimated useful lives of and related depreciation charges for the Group's property, plant and equipment. This estimate is based on historical experience of the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. The directors will increase the depreciation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. They could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market conditions. The directors will reassess the estimations at each balance sheet date.

(c) Income tax

Determining income tax provision involves judgement on the future tax treatment of certain transactions. The directors carefully evaluate tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, the directors' judgement is required to assess the probability of future taxable profits. The directors' assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment for bad and doubtful debts

The directors estimate impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The directors base the estimates on the ageing of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Notes to the Consolidated Financial Statements

33. Accounting Estimates and Judgements *(Continued)*

(e) Fair value of biological assets and agricultural produce

All oranges are harvested shortly before the calendar year end. At each calendar year end date, little biological transformation for the following year's harvest has taken place and therefore biological assets are stated at cost as the directors consider that their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value.

In addition, for the reasons set out in note 20, the directors consider that there is no active market for the biological assets at the end of June each year and their fair value cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore the biological assets at the end of June continue to be stated at cost.

Once the fair value of the Group's biological assets becomes reliably measurable, they are then measured at their fair value less estimated point-of-sale costs.

The Group's agricultural produce are measured at fair value less estimated point-of-sale costs at the point of harvest. The directors are of the view that there is no quoted price in the market and the fair value is therefore determined based on the most recent market transaction price as at or close to the harvest dates in the local area.

34. Ultimate Holding Company

The directors consider the ultimate holding company of the Company as at 30 June 2009 to be Key Wise Group Limited, which is incorporated in the BVI. The entity does not produce financial statements available for public use.