森美 Summi®

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 2010

CONTENTS

Corporate Information	2
Financial Summary	3
Chairman's Statement	4
Management Discussion and Analysis	5
Board of Directors and Senior Management	11
Report of the Directors	15
Corporate Governance Report	24
Independent Auditor's Report	30
Consolidated Income Statement	32
Consolidated Statement of Comprehensive Income	33
Consolidated Balance Sheet	34
Balance Sheet	36
Consolidated Statement of Changes in Equity	37
Consolidated Cash Flow Statement	38
Notes to the Consolidated Financial Statements	40
Five Years Financial Summary	98

CORPORATE INFORMATION

Directors

Executive Directors

Mr. Sin Ke *(Chairman)*
Mr. San Kwan

Independent Non-Executive Directors

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

Company Secretary

Mr. Kwong Ping Man *CPA, ACIS, ACS*

Authorised Representatives

Mr. San Kwan
Mr. Kwong Ping Man *CPA, ACIS, ACS*

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. Sin Ke *(Chairman)*
Mr. Tu Zongcai
Mr. Zhuang Weidong

Head Office and Principal Place of Business in Hong Kong

Suite 2311
Tower One
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

Registered Office

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

Auditors

KPMG

Compliance Advisor

TC Capital Asia Limited

Legal Advisors

Loong & Yeung

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

FINANCIAL SUMMARY

For the 12 months ended 30 June

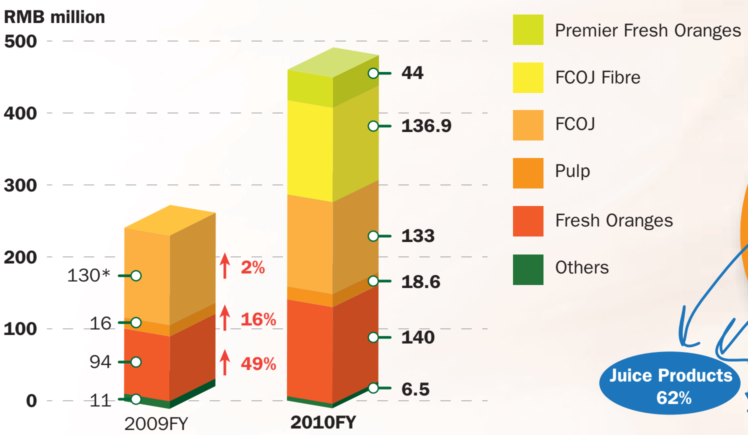
	2010FY RMB'000	Twelve months ended 30 June 2009[1] RMB'000	Change %
Revenue	479,333	337,363	+42.1%
Gross profit[2]	264,476	136,436	+93.9%
Net profit	158,246	71,069	+122.7%
Profit attributable to shareholders	156,553	71,069	+120.3%
Earnings per share — basic	RMB15.62Fen	RMB7.15Fen	+118.5%
Proposed dividend per share	HK1.5Cents	n/a	n/a

Notes:

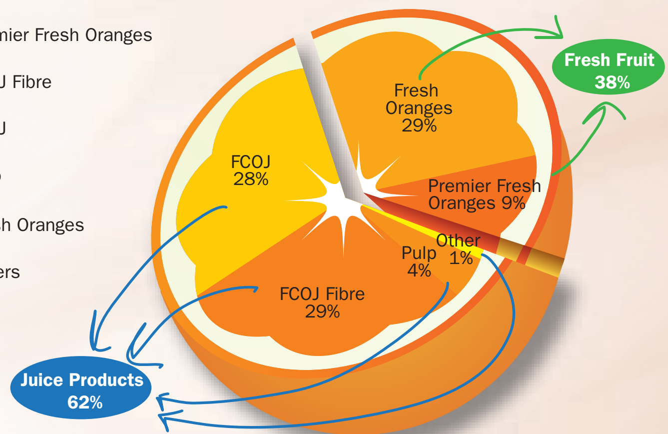
1. Please refer to note 38 to the consolidated financial statements for details.
2. Gross profit is stated as gross profit before fair value adjustments of biological assets, i.e. including the gross profit of our own farm grown oranges.

Revenue analysis

Revenue



Revenue breakdown for 2010FY



Note: In 2009, the Group's total FCOJ revenue was RMB216 million of which RMB130 million was self-produced and RMB86 million was outsourced.

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 year ended 30 June 2010.

The Group achieved significant growth in both turnover and net profit for the 12 months ended 30 June 2010, despite of the decline in the global and domestic prices of frozen concentrated orange juice ("FCOJ"). The strong growth were mainly attributable to the capacity expansion and broadening of product lines. The two new products, FCOJ fibre and premier-grade oranges, helped boost our sales and profit margins significantly.

The Chinese fruit juice beverage market has been experiencing rapid growth in recent years. Meanwhile, the competition at the consumer level has become intensified. As one of the major domestic suppliers of concentrated orange juice products to leading beverage makers in China, we have to remain highly adaptable to our customers' demands. The success of FCOJ fibre was the result of our forward-planning and effective execution.

We operate an integrated business model. In addition to making FCOJ and related products, we also operate oranges farms. The main purpose of orange farming is to ensure stable supply of raw materials for our juice-making business. For the year ended 30 June 2010, we produced 58% more oranges (in term of quantity) than last 12 months as a result of increased land under cultivation. Out of the fruit grown from our farms, we selected the premier-grade oranges and sold them in a designed-packaging at a much higher price over other oranges. This helped to increase the sales and profit margins of fresh fruit wholesale business.

Looking ahead, we are relatively optimistic about the Group's prospects in the forthcoming financial year. We believe there is still ample room for growth in the Chinese FCOJ and fruit beverage market, given the significant low level of domestic supply and per capita consumption as compared to the more developed western countries. We plan to continue to expand our production capacity and land under cultivation. In addition, we will actively seek new business opportunities such as tropical fruit juice.

On behalf of the Board, I would like to express my warmest thanks to the management and employees for their unswerving dedications and contributions. I would also like to extend my sincere gratitude to all our shareholders and investors for their trust and support. We will continue to strive to deliver value to our shareholders over the medium to longer-term.

Sin Ke
Chairman

Hong Kong, 20 September 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The revenue of the Group was primarily derived from the sale of frozen concentrated orange juice ("FCOJ"), its related products, and fresh oranges. According to the statistics issued by the China Beverage Industry Association (中國飲料工業協會), the Group is one of the leading producers in the FCOJ industry in China in terms of production quantity.

FCOJ is the primary raw material for the production of orange juice beverages. The juice beverage market in China had grown steadily in 2009. The increase in disposable income and urban population continues to drive demand for natural and healthy beverage products such as fruit juice. China's existing production output of FCOJ is insufficient and relies mainly on imported products to meet its growing demand. Brazil is the largest producer and exporter of FCOJ in the world. Comparing to Brazil, China is significantly small in terms of both production capacity and actual output of FCOJ. The industry still has ample room for growth and development.

Products

The Group adopts an integrated business model. As at 30 June 2010, it operates orange farms with a total area of 71,000 mu in Fujian province and Chongqing*. The Group uses the lower-grade oranges harvested from these farms as raw materials for producing FCOJ and its related products, whereas the remaining oranges of higher grade are sold fresh. In addition to its own farm grown oranges, the Group also purchases oranges from independent third parties to produce FCOJ and its related products.

For the previous financial year, the Group sold mainly two product categories: fresh oranges and FCOJ. In the year under review, the Group increased its product range by introducing FCOJ fibre and premier fresh oranges under the "Shangguo" and "Summi" brands to its product portfolio.

FCOJ fibre is a mix of FCOJ and orange pulp which enables juice makers to produce orange juice with pieces of pulp in it, a product whose demand is growing in China for its fresh taste. This new product enabled the Group to increase both sales and profitability in the year under review.

The "Shangguo" and "Summi" premier fresh oranges are oranges of premium grade grown in the Group's farms which are packaged with more sophisticated packaging and sold at a large premium over other fresh oranges. This new product also helped the Group to increase both sales and profitability in the year under review.

Production

For the previous financial year, the Group had only two production facilities in Fujian province with a total annual production capacity of 10,000 tons of FCOJ. In November 2009, the Group's new plant in Kai County, Chongqing commenced production. The new plant has an annual production capacity of 12,000 tons of FCOJ and 30,000 tons of FCOJ fibre, which significantly increases the Group's overall production capacity of FCOJ products. The new plant is one of the largest of its kind in China installed with equipment and technologies among the finest in the industry.

* Note: Of the 71,000 mu orange farms, 21,000 mu are newly-planted farms that will become productive in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Orange Farming

In the vicinity of the Group's new facility in Kai County, Chongqing, there are about 300,000 mu of orange farms, of which 20,000 mu are leased and operated by the Group. Kai County is located in the center of the citrus-plantation-belt along the upper reaches of the Yangtze River, which is the largest of the three citrus-plantation-belts in China. Kai County is well-known for orange farming since the Han Dynasty (about 200 BC). Of the 50 different species of oranges grown in that area, the most popular one is "Jing Cheng" (Jing Orange) which has won numerous prizes for the county during its long history of orange farming stretching over 2,000 years.

In addition to the existing 20,000 mu orange farms in Kai County and 30,000 mu orange farms in Fujian province, during the year under review, the Group cultivated another 21,000 mu new orange farms in Kai County with a new breed of orange trees being planted which have the potential to significantly increase the existing production yields. The new orange farms will become productive in 2013.

Customers

The Group sells its FCOJ products to major beverage producers in China such as Coca-Cola. The Group is one of the few certified domestic suppliers of FCOJ to some of the world's leading beverage producers in China. The Directors believe that the Group's well-established track record of more than 16 years in FCOJ production is one of the key factors attributable to its strong relationships with its world-class customers.

Branding

The Group's fresh oranges are sold under the "Shangguo" and "Summi" brands. In the year under review, in addition to the average grade oranges, the Group successfully sold premier grade oranges under the "Shangguo" and "Summi" brands at a large premium. It is the Group's strategy to continue the marketing of the "Shangguo" and "Summi" brands in order to maximize the profit generated from the fresh orange business.

Financial Review

Overview

Sales of the Group increased by 42.1% from RMB337,363,000 for the 12 months ended 30 June 2009 to RMB479,333,000 for the financial year ended 30 June 2010. The profit attributable to the equity holders of the Company increased by 120.3% from RMB71,069,000 for the 12 months ended 30 June 2009 to RMB156,553,000 for the year under review.

Sales

Sales of the Group's concentrated fruit juice products, comprising FCOJ, FCOJ fibre and orange pulp, increased by 24.2% from RMB232,670,000 for the 12 months ended 30 June 2009 to RMB288,979,000 for the year under review, and accounted for 60.3% of the Group's total revenue for the year under review. Each of FCOJ, FCOJ fibre and orange pulp accounted for about 46.2%, 47.4% and 6.4% respectively of the revenue from concentrated fruit juice products. The growth was primarily attributable to the increase in sales volume as a result of expanded production capacity and the launch of the new product, FCOJ fibre.

The average selling price of FCOJ decreased by 12.4% from RMB13,590 per ton during the 12 months ended 30 June 2009 to RMB11,900 per ton during the year under review. Such decline in the unit price was mainly attributable to the sharp decline in the international selling price of FCOJ in the first half of 2009 following the global economic recession. Since the Group normally negotiates its annual sales contracts and pricing with its customers around October and November, the unit price of FCOJ for the 12 months ended 30 June 2010 was affected by the low price level in mid-2009. However, the global FCOJ market has recovered and prices have bounced back from their 2009 trough.

Sales of the Group's fresh oranges increased by 96.6% from RMB93,986,000 for the 12 months ended 30 June 2009 to RMB184,791,000 for the year under review, and accounted for 38.6% of the Group's total revenue. The growth was primarily attributable to increase in sales volume as a result of expanded area under cultivation, as well as the launch of new product "Shangguo" premier fresh oranges, which accounted for 24.0% of the revenue from fresh oranges. Premier fresh oranges were sold at a much higher unit price than the average fresh oranges.

Cost of Sales

Cost of sales increased by 16.2% from RMB252,840,000 for the 12 months ended 30 June 2009 to RMB293,807,000 for the year under review. The increase in cost of sales was primarily due to the increase in sales.

The Group's cost of sales primarily consists of the cost of oranges that are used for either the production of concentrated orange juice products or fresh fruit wholesale. There are two types of oranges used by the Group: its own farm grown oranges and purchased oranges. In accordance with the relevant accounting policies, the Group's own farm grown oranges are treated as biological assets at the time of harvest. The value representing the difference between the fair value (i.e. market value at harvest) and the cultivation costs of these oranges (i.e. the gross profit of the Group's own farm grown oranges) to be recognized as "gain from changes in fair value of biological assets" in the consolidated income statement at the time of harvest. The market value is then recognized as cost of sales when the oranges are removed from the inventory for either producing FCOJ or sold as fresh fruit. This effectively increases the reported cost of sales by an amount equals to the gross profit of the Group's own farm grown oranges.

Gross Profit

For the reason discussed in the last paragraph, the reported gross profit of the Group in the consolidated income statement does not include the gross profit of its own farm grown oranges. For a better illustration of the Group's overall gross profit, the Group's reportable segment profit (i.e. the gross profit before adjustments of fair value of biological assets) is used as a substitute for discussion here. (Please see note 5 to the consolidated financial statements on page 56 for details).

Gross profit for reportable segments increased by 93.8% from RMB136,436,000 for the 12 months ended 30 June 2009 to RMB264,476,000 for the year under review. Gross margin increased from 40.4% to 55.1%. The increase in gross margin was primarily attributable to the sale of FCOJ fibre and premier fresh oranges, both of which bear higher gross margins than the Group's average gross margin for the previous financial year.

Distribution Costs

Distribution costs increased by 197.6% from RMB8,272,000 for the 12 months ended 30 June 2009 to RMB24,618,000 for the year under review, primarily as a result of considerable increase in transportation cost as sales increased. Personnel expenses relating to sales and marketing also increased by 82.0% from RMB1,147,000 to RMB2,088,000, primarily attributable to expanded sales team and marketing activities.

Administrative Expenses

Administrative expenses increased by 108.2% from RMB21,784,000 for the 12 months ended 30 June 2009 to RMB45,362,000 for the year under review. The increase was primarily attributable to the commencement of operation of the new production facilities and newly leased orange farms in Kai County, Chongqing. Personnel expenses increased significantly by 109.2% from RMB11,855,000 to RMB24,806,000. Suspended production period expenses increased by 208.1% from RMB1,873,000 to RMB5,771,000. Miscellaneous taxation increased by 4.8 times from RMB740,000 to RMB4,269,000. Depreciation and amortization also increased as a result of expanded operation scale.

Income Tax

Effective income tax rate reduced to 18.6% for the year ended 30 June 2010 from 29% for the previous financial year, primarily due to the restructuring of the Group's organization structure. During the year under review, the Group separated its orange juice production operation from orange farming operation under different entities. As a result, the orange farming and sales operation was exempted from value added tax and corporate income tax under a favourable policy granted by the Chinese government to agricultural enterprises.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company increased by 120.3% from RMB71,069,000 for the 12 months ended 30 June 2009 to RMB156,553,000 for the year under review.

Liquidity and Financial Resources

Liquidity, Financial Resources and Capital Structure

The Group's working capital and other capital requirements were principally funded by operations and cash at hand.

As at 30 June 2010, the Group had cash and cash equivalents of RMB429,074,000, total bank loan of RMB5,100,000, and outstanding convertible bonds of RMB133,489,000, as compared to RMB193,121,000 of cash and cash equivalents and RMB5,100,000 of total bank loan as at 30 June 2009. Approximately 65.9%, 31.7% and 2.4% of the cash and cash equivalents were held in RMB, USD and HK$ respectively. The secured bank loan of RMB5,100,000 was an interest-free entrusted bank loan granted by a local finance bureau of the PRC.

As at 30 June 2010, the gearing ratio (total debt including convertible bonds/total equity) of the Group was 21.9% as compared to 1.1% as at 30 June 2009. The current ratio (current assets/current liabilities) was 23.7 times as compared to 15.3 times as at 30 June 2009.

Analysis of Turnover of Inventories, Trade Receivables and Payables

The Group's inventories primarily consist of finished FCOJ products. Inventory turnover days (inventories/cost of sales) was 5.6 days as at 30 June 2010 as compared to 13.8 days as at 30 June 2009. Turnover days for trade receivables (trade receivables/revenue) decreased from 68.9 days as at 30 June 2009 to 27.8 days as at 30 June 2010. Turnover days for trade payables (trade payables/cost of sales) decreased from 14.4 days as at 30 June 2009 to 13.0 days as at 30 June 2010.

Net Finance Costs

For the year ended 30 June 2010, net finance costs of the Group were approximately RMB905,000 (same period last year: net finance income of RMB1,205,000).

Contingent Liabilities

As at 30 June 2010, the Group did not have any significant outstanding contingent liabilities.

Capital Expenditure

During the year ended 30 June 2010, the Group's capital expenditure amounted to RMB48,157,000 as compared to RMB82,238,000 during the same period in 2009. The capital expenditure was used in the acquisition of property, plant and equipment and land use rights.

Pledge of Assets

As at 30 June 2010, the Group had pledged bank deposits of RMB5,100,000 to secure bank loan granted to the Group. The same amount of bank deposits was pledged to secure the bank loan as at 30 June 2009.

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 have been employed by the Group for hedging purposes.

Final Dividend and Closure of the Register of Members

The Directors recommend the payment of a final dividend for 2010 of HK$0.015 per share to shareholders of the Company on the register of members of the Company on 8 November 2010. Based on the number of issue shares as at 30 June 2010, this represents a total distribution for the year of approximately HK$15.1 million. Subject to the approval of the 2010 final dividends by the shareholders at the annual general meeting of the Company to be held on 8 November 2010, it is expected that those dividends will be paid on or around 25 November 2010. The register of members of the Company will be closed from 5 November to 8 November 2010, both dates inclusive, during which no transfer of shares will be effected. In order to quality for attending the annual general meeting and entitlement to the final dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 4 November 2010.

No dividends were declared for the eighteen months ended 30 June 2009.

Human Resources

As at 30 June 2010, the Group employed approximately 740 employees as compared to 310 employees as at 30 June 2009. 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

The Group's turnover and net profit increased by 42.1% and 122.7% respectively during the year under review. The Directors believe that such performance is primarily attributable to the Group's leading position in the domestic industry and the strong demand for concentrated fruit juice products. Looking ahead, the Directors believe that the fruit beverage market in China is likely to maintain the growth momentum in the next few years. The Group will continue to seek growth opportunities by implementing the following strategies:

- **Capacity expansion:** The Group plans to expand its production capacity at the Chongqing factory (Phase II project). The Group would also seek suitable acquisition targets for capacity expansion.
- **Land under cultivation:** The Group currently has a total of 50,000 mu existing orange farms and 21,000 mu new orange farms under cultivation. The Group intends to increase the area of land under cultivation by leasing more existing orange farms and cultivating new orange farms.
- **Brand promotion:** Fresh fruit sales represent one of the Group's major revenue sources. The Group successfully launched the "Shangguo" and "Summi" premier fresh oranges during the year under review. The Group will continue to promote "Shangguo" and "Summi" brands and also to expand its fresh fruit wholesale network.
- **New business opportunities:** There is an increasing demand for tropical fruits and tropical fruit juice in China. Hainan is the major production area of tropical fruit in China. In order to capture the market opportunities, the Group plans to research and develop different types of tropical fruit juice in Hainan, so as to create a new profit centre for the Group.

Overall, the Directors are relatively optimistic about the Group's prospects in the forthcoming financial year. The Directors believe that there is still ample room for growth in the Chinese FCOJ and fruit beverage market, given its significant low level of domestic supply and per capita consumption as compared to the more developed western countries. The Company will strive to seize this great opportunity and to deliver value to its shareholders over the medium to longer-term.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Directors and Senior Management

Executive Directors

Sin Ke (辛克), aged 49, is the chairman, 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 16 years of experience in the frozen concentrate juice industry. 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), the council member of the Beverage Industry Association of China (中國飲料工業協會), and the deputy chairman of the Fruit Trading Association of China (中國果品流通協會). Mr. Sin is the elder brother of Mr. San Kwan, an executive Director.

Mr. Sin is 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.

Mr. Sin is also the director of Cheer Sky Limited (捷佳有限公司) ("Cheer Sky") and Key Wise Group Limited (建威集團有限公司) ("Key Wise"), all are companies having an interest in the shares 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 42, 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.

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 45, 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 42, 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.

Zhuang Xueyuan (莊學遠) aged 47, 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 47, 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 43, 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.

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 37, 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 47, 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 34, 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 37, 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 year ended 30 June 2010.

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

The results of the Group for the year ended 30 June 2010 are set out in the consolidated income statement.

Major Customers and Suppliers

For the year ended 30 June 2010, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate accounted for 12.1% and 28.2% 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% and 45% 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 and suppliers.

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 16 to the consolidated financial statements.

Share Capital

Details of movements during the period in the share capital of the Company are set out in note 32 to the consolidated 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 2010, the Company had reserves available for distribution of RMB138,548,000 (2009: RMB143,271,000).

Directors

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

Executive Directors

Mr. Hong Hong U (resigned on 21 September 2009)
Mr. Sin Ke
Mr. San Kwan

Independent Non-Executive Directors

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

Each of Mr. Sin Ke and Mr. San Kwan 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 11 to 14 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 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 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 11 and 12 to the consolidated financial statements.

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

As at 30 June 2010, 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. Sin Ke ("Mr. Sin")	Interest of controlled corporation (Note 2)	555,608,145(L)	55.37%

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. Sin	Beneficial owner (Note 3)	6,000,000 (L)	0.60%
Mr. San Kwan	Beneficial owner (Note 3)	8,000,000 (L)	0.80%

Notes:

1. The letters "L" denote a long position in the Shares.
2. Mr. Sin beneficially owned 51% interest in Cheer Sky which beneficially owned 49% interest in Key Wise. Therefore, Mr. Sin was deemed, or taken to be, interested in the 555,608,145 Shares held by Key Wise under the SFO.
3. 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".

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. Sin	Key Wise	Interest of controlled corporation and interest of spouse	100,000	100%

Note: Mr. Sin beneficially owned 51% interest in Cheer Sky which beneficially owned 49% interest in Key Wise. Ms. Hong Man Na, the spouse of Mr. Sin, beneficially owned 51% interest in Key Wise. Therefore, Mr. Sin was deemed, or taken to be, interested in all the shares in Key Wise which are owned by Cheer Sky and Ms. Hong Man Na under the SFO.

Save as disclosed above, as at 30 June 2010, 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 2010, 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
Key Wise	Beneficial owner	555,608,145 (L)	55.37%
Cheer Sky	Interest of controlled corporation (Note 2)	555,608,145 (L)	55.37%
Ms. Hong Man Na	Interest of controlled corporation and interest of spouse (Note 3)	561,608,145 (L)	55.97%
Sequoia Capital China Growth Fund I, L.P.	Beneficial owner	67,878,965 (L)	6.76%
Credit Suisse Trust Limited	Trustee	52,000,000 (L)	5.18%
Power Surge Limited	Interest of controlled corporation	52,000,000 (L)	5.18%
Shi Zhengrong	Founder of a discretionary trust	52,000,000 (L)	5.18%

Notes:

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

2. Cheer Sky beneficially owned 49% interest in Key Wise and Key Wise held 555,608,145 Shares. Therefore, Cheer Sky was deemed, or taken to be, interested in the 555,608,145 Shares held by Key Wise under the SFO.

3. Ms. Hong Man Na beneficially owned 51% interest in Key Wise. Therefore, Ms. Hong Man Na was deemed, or taken to be, interested in the 555,608,145 Shares held by Key Wise under the SFO. Mr. Sin held share options to subscribe for 6,000,000 Shares and Ms. Hong Man Na is the spouse of Mr. Sin. Therefore, Ms. Hong Man Na was deemed, or taken to be, interested in the 555,608,145 Shares held by Key Wise and the share options to subscribe for 6,000,000 Shares held by Mr. Sin under the SFO.

Save as disclosed above, and as at 30 June 2010, 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 35 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 "Interests and short positions of the Directors in Shares, underlying Shares and debentures of the Company and its associated corporations" 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 35 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 year ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Issue of Convertible Bonds

On 14 May 2010, the Company (as the issuer) entered into a subscription agreement (the "Agreement") with, inter alia, Sequoia Capital China Growth Fund I, L.P., Sequoia Capital China Growth Partners Fund I, L.P. and Sequoia Capital China GF Principals Fund I, L.P. (collectively, the "Subscribers"), pursuant to which the Subscribers agreed to subscribe for the convertible bonds in an aggregate principal amount of US$22,000,000 (the "Convertible Bonds"). Completion of the subscription under the Agreement took place on 28 May 2010. The Convertible Bonds do not bear any coupon and have a term of maturity of two years. Any outstanding Convertible Bonds shall be redeemed at 110% of the principal amount on the maturity date.

Upon full conversion of the Convertible Bonds, a total of 77,825,000 new Ordinary Shares of the Company will be issued at the conversion price at HK$2.20 per Share.

The net proceeds from the issue of the Convertible Bonds of approximately HK$163,430,000 will be used for the increase in production capacity (either by way of organic growth or acquisition) and/or general working capital of the Group.

For details of the Agreement and relevant transactions, please refer to the announcements of the Company dated 14 May 2010 and 31 May 2010.

Material Acquisitions and Disposal of Subsidiaries and Associated Companies

During the period, there was no material acquisition and disposal of subsidiaries and associated companies by the Company.

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 2010 are set out in note 27 to the consolidated financial statements.

Retirement schemes

Particulars of the retirement schemes of the Group are set out in note 7 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 during the year ended 30 June 2010.

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; (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 2010 is as follows:

Category of participants	As at 1 July 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2010	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:									
Sin Ke	6,000,000	—	—	—	6,000,000	18 November 2008	10 years from the date of grant	0.75	0.75
San Kwan	8,000,000	—	—	—	8,000,000	18 November 2008	10 years from the date of grant	0.75	0.75
Employees**	24,000,000	—	3,450,000#	2,500,000	18,050,000	18 November 2008	10 years from the date of grant	0.75	0.75
Employee***	—	10,000,000	—	—	10,000,000	11 October 2009	10 years from the date of grant	0.90	0.90
	38,000,000				42,050,000				

* 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 9 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.

*** The employee is not a director, chief executive or substantial shareholder of the Company or their respective associates.

The closing price of the share immediate before date of exercise was HK$1.68.

The following table lists the vesting period of the share options granted on 11 November 2008 under the Scheme:

			Vesting period/Maximum percentage of options exercisable from the date of acceptance			
	Name	No. of Option Shares	0-12 Months	13-24 Months	25-36 Months	After 36 Months
Directors	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		25,000,000	0.00%	31.20%	62.40%	100.00%
		39,000,000	0.00%	31.28%	62.56%	100.00%

The following table lists the vesting period of the share options granted on 11 October 2009 under the Scheme:

	No. of Option Shares	0-12 Months	13-24 Months	25-36 Months	After 36 Months
Employee	10,000,000	30%	60%	100%	100%

For further information of the options granted during the period under review, please refer to note 31 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 during the year ended 30 June 2010.

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

Under code provision A.2.1 of the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 21 September 2009, the former chairman Mr. Hong Hong U resigned as a Director and the chairman of the Board. Mr. Sin Ke was elected as the chairman of the Board on the same date and he is also the chief executive officer of the Company. This deviates from the code provision A.2.1 of the Code.

Mr. Sin has extensive experience in the FCOJ industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Sin provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

The Company understands the importance to comply with the code provision A.2.1 of the Code and will continue to consider the feasibility of appointing different persons to assume the roles of the chairman and the chief executive officer. The Company will make timely announcement if such decision has been made.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Code during the year ended 30 June 2010.

The Group's compliance with the code provisions is set out in the Corporate Governance Report from pages 24 to 29 of this annual report.

Final Dividend and Closure of the Register of Members

The Directors recommend the payment of a final dividend for 2010 of HK$0.015 per share to shareholders of the Company on the register of members of the Company on 8 November 2010. Based on the number of issue shares as at 30 June 2010, this represents a total distribution for the year of approximately HK$15.1 million. Subject to the approval of the 2010 final dividends by the shareholders at the annual general meeting of the Company to be held on 8 November 2010, it is expected that those dividends will be paid on or around 25 November 2010. The register of members of the Company will be closed from 5 November to 8 November 2010, both dates inclusive, during which no transfer of shares will be effected. In order to quality for attending the annual general meeting and entitlement to the final dividends, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 4 November 2010.

No dividends were declared for the eighteen months ended 30 June 2009.

Auditors

KPMG has acted as auditors of the Company for the year ended 30 June 2010.

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

Sin Ke
Chairman

Hong Kong, 20 September 2010

The Group's corporate governance practices are based on the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")

Save as disclosed in the paragraph headed "Chairman and Chief Executive Officer" below, the Board considered that the Company had complied with the Code Provisions 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 two executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Sin Ke *(Chairman)*
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 11 to 14.

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 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.

Each of Mr. Sin Ke and Mr. San Kwan 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 year under review, five 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. Sin Ke *(Chairman)*	5/5
Mr. San Kwan	5/5
Independent Non-executive Directors	
Mr. Zhuang Xueyuan	5/5
Mr. Zhuang Weidong	5/5
Mr. Tu Zongcai	5/5

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.

Chairman and Chief Executive Officer

Under A.2.1 of the Code Provisions, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. On 21 September 2009, the former chairman Mr. Hong Hong U resigned as a Director and the chairman of the Board. Mr. Sin Ke was elected as the chairman of the Board on the same date and he is also the chief executive officer of the Company. This deviates from A.2.1 of the Code Provisions.

Mr. Sin has extensive experience in the FCOJ industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Sin provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

The Company understands the importance to comply with A.2.1 of the Code Provisions and will continue to consider the feasibility of appointing different persons to assume the roles of the chairman and the chief executive officer. The Company will make timely announcement if such decision has been made.

Appointment, Re-Election and Removal of Directors

The Company has established a nomination committee. The nomination committee 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 nomination committee 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 and Mr. San Kwan 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 Company 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 year ended 30 June 2010.

Remuneration Committee

The Company 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 executive Directors and senior management. The Remuneration Committee held one meeting during the year ended 30 June 2010 and all the members have attended to review the Group's remuneration policy and the terms of executive Directors' service contracts. During the year under review, the Board as a whole had determined the remuneration policy and packages of the Directors.

Communication with Shareholders

Information of the Group is delivered to the shareholders through a number of channels, which includes annual report, interim report, announcements and circulars. The latest information of 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 year ended 30 June 2010.

Nomination Committee

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

Members of Nomination Committee

Mr. Sin Ke *(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. The nomination committee held one meeting during the year ended 30 June 2010 to review the structure and composition of the Board and all the members have attended 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 year ended 30 June 2010 comprised fees for audit services of RMB1,500,000.

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

The Company has not changed the external auditor since its listing in July 2008 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 year ended 30 June 2010, the audit committee met four 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.

Directors' and Auditor's Responsibility for Financial Statements

All Directors acknowledge their responsibility for preparing the financial statements for the year ended 30 June 2010. The auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the year ended 30 June 2010. 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

Sin Ke
Chairman

Hong Kong, 20 September 2010

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 32 to 97, which comprise the consolidated and company balance sheets as at 30 June 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year 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 2010 and of the Group's profit and cash flows for the year 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

20 September 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000 (Note 38)
Revenue	5	**479,333**	463,771
Cost of sales		**(293,807)**	(336,265)
Gross profit	5(b)	**185,526**	127,506
Gain from changes in fair value of biological assets less estimated point-of-sale costs	22	**77,125**	44,352
Other income	6	**2,950**	2,494
Distribution costs		**(24,618)**	(10,270)
Administrative expenses		**(45,362)**	(25,260)
Other expenses		**(258)**	(319)
Profit from operations		**195,363**	138,503
Finance income		**893**	1,591
Finance expenses		**(1,798)**	(2,201)
Net finance costs	9	**(905)**	(610)
Profit before taxation		**194,458**	137,893
Income tax	10	**(36,212)**	(40,426)
Profit for the year/period		**158,246**	97,467
Attributable to:			
Equity shareholders of the Company		**156,553**	95,064
Non-controlling interest		**1,693**	2,403
Profit for the year/period		**158,246**	97,467
Earnings per share (RMB cents)			
Basic	15(a)	**15.62**	10.42
Diluted	15(b)	**15.16**	10.41

The notes on pages 40 to 97 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Profit for the year/period		**158,246**	97,467
Other comprehensive income for the year/period	14		
Exchange differences on translation of financial statements of overseas subsidiaries		**12**	(1)
Total comprehensive income for the year/period		**158,258**	97,466
Attributable to:			
Equity shareholders of the Company		**156,565**	95,063
Non-controlling interest		**1,693**	2,403
Total comprehensive income for the year/period		**158,258**	97,466

The notes on pages 40 to 97 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Non-current assets			
Property, plant and equipment	16	**142,711**	108,360
Land use rights	17	**11,281**	3,416
Rental prepayments	18	**126,588**	35,751
Pledged bank deposits	19	**5,100**	5,100
Deferred tax assets	30	**—**	813
		285,680	153,440
Current assets			
Inventories	21	**4,534**	9,561
Biological assets	22	**42,219**	55,258
Rental prepayments	18	**14,855**	14,570
Trade and other receivables	23	**39,468**	65,103
Time deposits	24	**2,650**	2,678
Cash and cash equivalents	25	**429,074**	193,121
		532,800	340,291
Total assets		**818,480**	493,731
Current liabilities			
Trade and other payables	26	**17,722**	18,928
Income tax payables		**4,764**	3,304
		22,486	22,232
Net current assets		**510,314**	318,059
Total assets less current liabilities		**795,994**	471,499
Non-current liabilities			
Loans and borrowings	27	**5,100**	5,100
Deferred income	28	**22,420**	11,000
Convertible bonds	29	**133,489**	—
Deferred tax liabilities	30	**1,250**	725
		162,259	16,825
Total liabilities		**184,745**	39,057
Net assets		**633,735**	454,674

CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Capital and reserves			
Share capital	32	**8,822**	8,791
Reserves		**624,913**	445,783
Total equity attributable to equity shareholders of the Company		**633,735**	454,574
Non-controlling interest		**—**	100
Total equity		**633,735**	454,674

Approved and authorised for issue by the board of directors on 20 September 2010.

Sin Ke
Chairman

San Kwan
Director

The notes on pages 40 to 97 form part of these financial statements.

BALANCE SHEET

As at 30 June 2010

	Note	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Non-current assets			
Property, plant and equipment	16	**76**	—
Investments in subsidiaries	20	**49,254**	45,020
Receivables due from a subsidiary	35(b)	**256,563**	123,466
		305,893	168,486
Current assets			
Trade and other receivables	23	**341**	164
Cash and cash equivalents	25	**10,289**	599
		10,630	763
Total assets		**316,523**	169,249
Current liabilities			
Trade and other payables	26	**1,861**	1,200
		1,861	1,200
Net current assets/(liabilities)		**8,769**	(437)
Total assets less current liabilities		**314,662**	168,049
Non-current liabilities			
Convertible bonds	29	**133,489**	—
Payables due to subsidiaries	35(c)	**11,837**	11,837
		145,326	11,837
Total liabilities		**147,187**	13,037
Net assets		**169,336**	156,212
Capital and reserves			
Share capital	32	**8,822**	8,791
Reserves	32	**160,514**	147,421
Total equity		**169,336**	156,212

Approved and authorised for issue by the board of directors on 20 September 2010.

Sin Ke
Chairman

San Kwan
Director

The notes on pages 40 to 97 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Attributable to equity shareholders of the Company								
	Share capital RMB'000 (note 32(d))	Share premium RMB'000 (note 32(e))	Capital reserve RMB'000 (note 32(f))	Statutory reserves RMB'000 (note 32(g))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2008	730	17,270	3,227	10,010	—	150,733	181,970	20,270	202,240
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	1,100	1,100
Arising on reorganisation	71	(71)	—	—	—	—	—	—	—
Acquisition of non-controlling interests	89	23,332	358	—	—	—	23,779	(23,673)	106
Waiver of an equity shareholder's loan	—	—	36,396	—	—	—	36,396	—	36,396
Issue of shares on capitalisation of share premium account	5,706	(5,706)	—	—	—	—	—	—	—
Issue of shares through Initial Public Offering	2,195	136,074	—	—	—	—	138,269	—	138,269
Share issue expenses	—	(24,525)	—	—	—	—	(24,525)	—	(24,525)
Appropriation to statutory reserves	—	—	—	11,840	—	(11,840)	—	—	—
Equity settled share-based payment	—	—	3,622	—	—	—	3,622	—	3,622
Total comprehensive income for the period	—	—	—	—	(1)	95,064	95,063	2,403	97,466
As at 30 June 2009	8,791	146,374	43,603	21,850	(1)	233,957	454,574	100	454,674
Share options exercised (note 31)	31	2,249	—	—	—	—	2,280	—	2,280
Acquisition of non-controlling interest (note 1(i))	—	—	1,693	—	—	—	1,693	(1,793)	(100)
Issue of convertible bonds (note 29)	—	—	12,285	—	—	—	12,285	—	12,285
Appropriation to statutory reserves	—	—	—	12,500	—	(12,500)	—	—	—
Equity settled share-based payment	—	821	5,517	—	—	—	6,338	—	6,338
Total comprehensive income for the year	—	—	—	—	12	156,553	156,565	1,693	158,258
As at 30 June 2010	8,822	149,444	63,098	34,350	11	378,010	633,735	—	633,735

The notes on pages 40 to 97 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Operating activities			
Profit before taxation		**194,458**	137,893
Adjustments for:			
Gain from changes in fair value of biological assets less estimated point-of-sale costs	22	**(77,125)**	(44,352)
Depreciation	8	**8,619**	5,731
Amortisation of land use rights	8	**191**	105
Amortisation of deferred income		**(1,180)**	—
Loss on disposal of property, plant and equipment		**—**	3
Write-down of inventories	21(b)	**5,579**	6,309
Interest income	9	**(893)**	(1,591)
Interest expenses	9	**1,278**	1,517
Equity-settled share-based payment expenses	32(a)	**6,338**	3,622
Operating profit before changes in working capital		**137,265**	109,237
(Increase)/decrease in inventories, including harvested oranges transferred to inventories		**(552)**	17,190
Decrease/(increase) in biological assets		**90,164**	(5,107)
Increase in rental prepayments		**(91,122)**	(31,993)
Decrease in trade and other receivables		**25,635**	57,410
(Decrease)/increase in trade and other payables		**(4,774)**	14,697
Cash generated from operations		**156,616**	161,434
Interest paid		**—**	(1,517)
Income tax paid		**(33,414)**	(54,806)
Net cash generated from operating activities		**123,202**	105,111
Investing activities			
Interest received		**893**	1,591
Acquisition of subsidiaries, net of cash acquired		**—**	106
Payment for purchase of property, plant and equipment		**(43,501)**	(86,636)
Payment for purchase of land use rights		**(4,656)**	(1,000)
Increase in pledged bank deposits		**—**	(5,100)
Decrease/(increase) in time deposits		**28**	(2,678)
Net cash used in investing activities		**(47,236)**	(93,717)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2010

	Note	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Financing activities			
Proceeds from loans and borrowings		—	5,100
Repayment of loans and borrowings		—	(17,000)
Proceeds from the issue of convertible bonds	29	150,323	—
Payment of transaction costs on issue of convertible bonds	29	(5,116)	—
Proceeds from shares issued under share option scheme	32(a)	2,280	—
Government grants received		12,600	11,000
Capital injection by non-controlling shareholder		—	1,100
Payment for acquisition of non-controlling interest		(100)	—
Proceeds from issue of ordinary shares in placing and public offer, net of issue costs		—	113,744
Net cash generated from financing activities		159,987	113,944
Net increase in cash and cash equivalents		235,953	125,338
Cash and cash equivalents at the beginning of the year/period		193,121	67,783
Cash and cash equivalents at the end of the year/period		429,074	193,121
Non-cash transactions:			
Acquisition of non-controlling interests		—	23,673
Waiver of an equity shareholder's loan		—	36,396

The notes on pages 40 to 97 form part of these 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 Company's shares were listed on the Stock Exchange on 10 July 2008.

Details of the Company's subsidiaries as at 30 June 2010 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")	British Virgin Islands ("BVI") 17 July 2007	USD 100,000/ USD 100,000	100%	—	Investment holding
Rich Anges Limited	BVI 10 October 2007	USD 1/USD 50,000	100%	—	Investment holding
Potel Limited	Hong Kong 3 September 2007	HKD 1/HKD 10,000	—	100%	Investment holding
Manwell (China) Limited	Hong Kong 22 November 2007	HKD 1/HKD 10,000	—	100%	Investment holding
Summi (Fujian) Food Co., Limited ("Summi Fujian")	People's Republic of China ("PRC") 15 March 1993	RMB 80,000,000/ RMB 80,000,000	—	100%	Manufacturing and selling of concentrated fruit juice
Sanming Summi Food Co., Limited ("Sanming Summi")	PRC 27 September 2007	RMB 10,000,000/ RMB 10,000,000	—	100%	Manufacturing and selling of concentrated fruit juice
Chongqing Tianbang Food Co., Limited	PRC 6 August 2008	HKD 80,000,000/ HKD 80,000,000	—	100%	Manufacturing and selling of concentrated fruit juice
重慶尚果農業科技有限公司 ("Chongqing Shangguo")	PRC 16 December 2008	RMB 11,000,000/ RMB 11,000,000	—	100%	Selling of fresh oranges
三明天溢農業綜合開發有限公司 ("Sanming Tianyi") (i)	PRC 19 December 2008	RMB 2,000,000/ RMB 2,000,000	—	100%	Selling of fresh oranges

(i) The entity was incorporated in the PRC as a domestic company and has been 95% owned by Sanming Summi since its establishment. Prior to 25 January 2010, the remaining 5% equity interest in Sanming Tianyi was held by a third party and has been presented as a non-controlling interest in the financial statements. On 25 January 2010, the third party sold the 5% equity interest at a cash consideration of RMB 100,000 to Chongqing Shangguo, a wholly owned subsidiary of Summi Fujian.

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. Accordingly, the comparative figures in these financial statements cover the eighteen months ended 30 June 2009.

These financial statements are prepared in respect of the year ended 30 June 2010. Consequently, the comparative figures for the consolidated income statement, the consolidated statement of comprehensive income, 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 longer period than the current year.

3. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued four new International Financial Reporting Standards ("IFRSs"), a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IFRS 7, *Financial instruments: Disclosures — improving disclosures about financial instruments*
- IAS 23 (revised 2007), *Borrowing costs*
- Amendments to IFRS 2, *Share-based payment — vesting conditions and cancellations*
- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Improvements to IFRSs (2009)

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

The amendments to IFRS 2 have had no material impact on the Group's financial statements as the revision and amendment were consistent with policies already adopted by the Group. The impact of the remainder of these developments on the financial statements is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented (see note 5). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the financial statements in relation to the basis of preparation of the information. Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in these financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any year presented.

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

- As a result of the adoption of IAS 23 (revised 2007),the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 (revised 2007), *Borrowing costs* in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share during the year.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments have not resulted in any significant changes to the Group's accounting policies.

- The amendment introduced by the Improvements to IFRSs (2009) omnibus standard in respect of IAS 17, *Leases*, has had no material impact on the Group's financial statements as the classification of the Group's interests in leasehold land as operating leases continues to be appropriate.

The impact of the remainder of these developments in respect of the revisions to IFRS 3, IFRS 5 and IFRS 7 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and the Group has not yet entered into relevant transactions which will be affected by these developments.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with IFRSs, which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs"), and Interpretations, promulgated by the 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 July 2009, as set out in note 4(u).

(b) Basis of measurement

The financial statements are prepared on the historical cost basis except for biological assets (see note 4(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 36.

4. 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 non-controlling interests

Non-controlling 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. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss for the period between non-controlling interests and the equity shareholders of the Company.

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

Where losses applicable to the non-controlling interest exceed the non-controlling shareholders' interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interest, are charged against the Group's interest except to the extent that the non-controlling shareholder 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 non-controlling shareholders' share of losses previously absorbed by the Group has been recovered.

4. 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.

4. 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 4(p)(ii).

(ii) Convertible bonds

Convertible bonds which contain an equity component are accounted for as follows:

At initial recognition, the liability component of the convertible bonds is measured at fair value; the derivative components of the convertible bonds are measured at fair value and presented separately as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the liability component and the derivative components is recognised as the equity component. Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component, the derivative component, and the equity component in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component and the equity component is recognised initially as part of the liability and the equity, respectively. The portion relating to the derivative component is recognised immediately in profit or loss.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The derivative components are subsequently remeasured at fair value. The equity component remains in capital reserve until the embedded option is exercised.

If the bond is converted, the carrying amounts of the liability component, the derivative components, and the equity component are transferred to share capital and share premium as consideration for the shares issued.

If the convertible bonds are redeemed by the Company before maturity, the Company will allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity component of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible instrument was issued. Once the consideration is allocated, any resulting gain or loss relating to the liability component and the derivative components is recognised in profit or loss and the amount of consideration relating to the equity component is recognised in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(iii) 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 4(l)). Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 3).

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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 4(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 4(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 4(l)). Amortisation is charged to the consolidated income statement on a straight-line basis over the period of the leases which ranges from 5 to 15 years.

(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 4(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Biological assets *(Continued)*

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment *(Continued)*

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (see note 4(k)) and deferred tax assets (see note 4(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Employee benefits *(Continued)*

(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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue

(i) Sales of goods

Revenue from the sales 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.

(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, foreign currency losses and changes in fair value of financial liabilities that are recognised in the consolidated income statement. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 or in other comprehensive income.

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(u) New standards and interpretations not yet adopted

The IASB has issued a number of new IFRSs and revised International Accounting Standards (collectively "new IFRSs") and Interpretations that are not effective in respect of the financial period. The Group has not early adopted any of these new IFRSs and Interpretations.

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2009	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
Amendment to IAS 32, *Financial instruments: Presentation — Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards — Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments*	1 January 2013

5. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following six reportable segments. Certain operating segments in Fujian and Chongqing have been aggregated to form the following reportable segments as management consider they are of similar economic characteristics.

— Premier fresh oranges for wholesale. This segment carries on the business of cultivation and selling of premier oranges to third party customers.

— Fresh oranges for wholesale. This segment carries on the business of cultivation and selling of fresh oranges to third party customers.

— Oranges for production of frozen concentrated orange juice ("FCOJ") and its related products. This segment carries on the business of cultivation of oranges for production of FCOJ, FCOJ fibre and orange pulp.

— FCOJ. This 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 oranges as raw material. FCOJ is mainly used by the external customers for production of fruit juice and blended fruit juice.

— FCOJ fibre. This segment carries on the business of manufacturing and distribution of FCOJ fibre, which is a mixture of FCOJ with lower concentration rate and orange pulp sac. FCOJ fibre is mainly used by the external customers for production of pulpy fruit juice and blended fruit juice.

— Orange pulp. This segment carries on the business of manufacturing and distribution of orange pulp, which is a by-product from the production process of FCOJ. Orange pulp is mainly used by the external customers for production of blended fruit juice.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

The measure used for reporting segment profit is "gross profit less sales tax and surcharges as well as reversal of fair value gain upon sales".

The Group's senior executive management monitors assets and liabilities on a consolidated basis and not by reportable segment. Accordingly, no additional information on assets and liabilities to that shown on the Group's consolidated balance sheet is presented.

5. SEGMENT INFORMATION *(Continued)*

(a) Segment results *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 30 June 2010 and for the eighteen months ended 30 June 2009 is set out below.

	Year ended 30 June 2010							
	Premier fresh oranges for wholesale RMB'000	Fresh oranges for wholesale RMB'000	Oranges for production of FCOJ and its related products RMB'000	FCOJ RMB'000	FCOJ fibre RMB'000	Orange pulp RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	44,308	140,483	—	133,443	136,895	18,641	6,542	480,312
Inter-segment revenue	—	—	24,473	—	—	—	—	24,473
Reportable segment revenue	44,308	140,483	24,473	133,443	136,895	18,641	6,542	504,785
Reportable segment profit	28,999	59,768	12,002	60,781	85,213	16,129	1,584	264,476

	Eighteen months ended 30 June 2009							
	Premier fresh oranges for wholesale RMB'000	Fresh oranges for wholesale RMB'000	Oranges for production of FCOJ and its related products RMB'000	FCOJ RMB'000	FCOJ fibre RMB'000	Orange pulp RMB'000	Others RMB'000	Total RMB'000
Revenue from external customers	—	124,682	—	302,297	—	25,594	12,327	464,900
Inter-segment revenue	—	—	11,280	—	—	—	—	11,280
Reportable segment revenue	—	124,682	11,280	302,297	—	25,594	12,327	476,180
Reportable segment profit	—	52,679	5,137	108,751	—	21,911	4,828	193,306

5. SEGMENT INFORMATION *(Continued)*

(b) Reconciliation of reportable segment revenues and profit

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Revenue		
Total revenues for reportable segments	498,243	463,853
Other revenue	6,542	12,327
	504,785	476,180
Elimination of inter-segment revenue	(24,473)	(11,280)
Sales tax and surcharges	(979)	(1,129)
Consolidated revenue	479,333	463,771

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Profit		
Total profit for reportable segments	262,892	188,478
Other profit	1,584	4,828
	264,476	193,306
Sales tax and surcharges	(979)	(1,129)
Reversal of fair value gain upon sales	(77,971)	(64,671)
Gross profit	185,526	127,506
Gain from changes in fair value of biological assets less estimated point-of-sale costs	77,125	44,352
Other income	2,950	2,494
Distribution costs	(24,618)	(10,270)
Administrative expenses	(45,362)	(25,260)
Other expenses	(258)	(319)
Net finance costs	(905)	(610)
Consolidated profit before taxation	194,458	137,893

6. OTHER INCOME

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Government grants	**2,150**	2,400
Others	**800**	94
	2,950	2,494

The Group received discretionary grants from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry and investment in a concentrated fruit juice production plant in Chongqing. 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.

7. PERSONNEL EXPENSES

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Salaries, wages and other benefits	**63,803**	55,132
Contributions to defined contribution plans	**1,813**	1,648
Equity-settled share-based payment (note 31)	**6,338**	3,622
	71,954	60,402

The Group participates in pension funds organised by the PRC government. According to the 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 HKD 20,000. 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.

8. EXPENSES BY NATURE

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

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Amortisation of land use rights	**191**	105
Depreciation of fixed assets*	**8,619**	5,731
Operating lease charges*	**15,751**	17,372
Auditors' remuneration — audit services	**1,500**	1,401
Cost of inventories* (note 21(b))	**293,807**	336,265

* For the year ended 30 June 2010, cost of inventories includes RMB 68,952,000 (for the eighteen months ended 30 June 2009: RMB 68,232,000) relating to personnel expenses, depreciation expenses and amortisation of rental prepayments. These amounts are also included in the respective expenses disclosed above or in note 7.

9. NET FINANCE COSTS

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Interest income on bank deposits	**893**	1,591
Finance income	**893**	1,591
Interest expenses	**(1,278)**	(1,517)
Bank charges	**(42)**	(56)
Net foreign exchange loss	**(478)**	(628)
Finance expenses	**(1,798)**	(2,201)
Net finance costs	**(905)**	(610)

10. INCOME TAX

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

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Current tax expense		
Provision for PRC income tax	**32,740**	42,973
Under provision in respect of prior years	**2,134**	—
Deferred tax expense		
Origination and reversal of temporary differences (note 30(b))	**1,338**	(2,547)
	36,212	40,426

(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.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "New Tax Law"), enterprises that engage in qualifying agricultural business are eligible for certain tax benefits, including full income tax exemption on profits derived from such business. Certain operating subsidiaries of the Group in the PRC engaged in qualifying agricultural business have obtained the approval from local tax authorities in the year ended 30 June 2010 and consequently the applicable income tax rates of these subsidiaries for the year ended 30 June 2010 are 0% (for the eighteen months ended 30 June 2009: 25%).

The applicable income tax rate of the Group's other operating subsidiaries in the PRC is 25% for the year ended 30 June 2010 (for the eighteen months ended 30 June 2009: 25%).

10. INCOME TAX *(Continued)*

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

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Profit before tax	**194,458**	137,893
Income tax computed by applying the tax rate of 25% to profit before tax	**48,615**	34,473
Effect of non-deductible expenses	**3,345**	3,934
Effect of differences in tax rates of subsidiaries	**(18,316)**	1,314
Under provision in respect of prior years	**2,134**	—
Effect of recognition of deferred tax liabilities arising from undistributed retained earnings of PRC subsidiaries (note 30(a))	**525**	725
Others	**(91)**	(20)
Income tax	**36,212**	40,426

11. DIRECTORS' REMUNERATION

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

	Year ended 30 June 2010					
	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 (i)	150	—	—	—	108	258
Mr. Sin Ke	600	144	1,000	—	645	2,389
Mr. San Kwan	600	96	800	—	860	2,356
Independent Non-executive Directors						
Mr. Zhuang Xueyuan	48	—	—	—	—	48
Mr. Zhuang Weidong	48	—	—	—	—	48
Mr. Tu Zongcai	48	—	—	—	—	48
Total	1,494	240	1,800	—	1,613	5,147

11. DIRECTORS' REMUNERATION *(Continued)*

	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

(i) Mr. Hong Hong U resigned as an executive director of the Company on 21 September 2009.

Save as disclosed above, no directors' remuneration has been paid or is payable by the Group during the year ended 30 June 2010 and the eighteen months ended 30 June 2009. There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 30 June 2010 and the eighteen months ended 30 June 2009.

12. FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year ended 30 June 2010 include two directors of the Group (for the eighteen months ended 30 June 2009: three), whose emoluments are disclosed in note 11. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Salaries, allowances and other benefits in kind	**726**	269
Discretionary bonuses	**300**	275
Contribution to defined contribution plans	**19**	41
Share-based payments	**3,179**	858
	4,224	1,443

12. FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

The emoluments of the three (for the eighteen months ended 30 June 2009: two) individuals, other than directors, with the highest emoluments are within the following bands:

	Year ended 30 June 2010	Eighteen months ended 30 June 2009
Nil to RMB 1,000,000	**—**	2
RMB 1,000,001 to RMB 1,500,000	**2**	—
RMB 1,500,001 to RMB 2,000,000	**—**	—
RMB 2,000,001 to RMB 2,500,000	**1**	—
	3	2

On 11 October 2009, the Company granted an additional 10,000,000 share options to an employee of the Group, as an inducement to join the Group, of which RMB 2,104,000 was recognised as staff costs in the year ended 30 June 2010.

Except for the above, no emoluments were paid by the Group to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 30 June 2010 and the eighteen months ended 30 June 2009.

13. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended 30 June 2010 includes a loss of RMB 7,793,000 (for the eighteen months ended 30 June 2009: loss RMB 3,103,000) which has been dealt with in the financial statements of the Company (note 32(a)).

14. OTHER COMPREHENSIVE INCOME

Tax effect relating to other comprehensive income:

	Year ended 30 June 2010			Eighteen months ended 30 June 2009		
	Before-tax amount RMB'000	**Tax (expense)/ benefit RMB'000**	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax (expense)/ benefit RMB'000	Net-of-tax amount RMB'000
Exchange differences on translation of financial statements of overseas subsidiaries	**12**	**—**	**12**	(1)	—	(1)

15. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company of RMB 156,553,000 (for the eighteen months ended 30 June 2009: RMB 95,064,000) and the weighted average number of 1,002,070,000 ordinary shares (for the eighteen months ended 30 June 2009: 912,705,667 ordinary shares) of the Company, calculated as follows:

Weighted average number of ordinary shares

	Year ended 30 June 2010	Eighteen months ended 30 June 2009
Issued ordinary shares	**1,000,000,000**	100,000,000
Effect of capitalisation issue	**—**	650,000,000
Effect of the initial public offering	**—**	162,705,667
Effect of share options exercised	**2,070,000**	—
Weighted average number of ordinary shares	**1,002,070,000**	912,705,667

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company (diluted) of RMB 157,120,000 (for the eighteen months ended 30 June 2009: RMB 95,064,000) and the weighted average number of ordinary shares outstanding (diluted), after adjusting for the effect of all dilutive potential ordinary shares, of 1,036,478,878 (for the eighteen months ended 30 June 2009: 913,457,182), calculated as follows:

(i) Profit attributable to ordinary equity holders of the Company (diluted)

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Profit attributable to equity shareholders (basic)	**156,553**	95,064
Effect of effective interest on the liability component of convertible bonds (note 29)	**1,278**	—
Effect of exchange gain recognised on the liability component of convertible bonds (note 29)	**(711)**	—
Profit attributable to equity shareholders (diluted)	**157,120**	95,064

15. EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 30 June 2010	Eighteen months ended 30 June 2009
Weighted average number of ordinary shares	**1,002,070,000**	912,705,667
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**24,174,357**	751,515
Effect of conversion of convertible bonds	**10,234,521**	—
Weighted average number of ordinary shares (diluted)	**1,036,478,878**	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.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	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						
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
As at 1 July 2009	21,451	46,801	498	3,680	52,117	124,547
Additions	—	14,519	259	—	28,192	42,970
Transfers	20,633	59,676	—	—	(80,309)	—
As at 30 June 2010	42,084	120,996	757	3,680	—	167,517
Accumulated depreciation						
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)
As at 1 July 2009	(2,125)	(13,480)	(159)	(423)	—	(16,187)
Depreciation charge for the year	(2,112)	(5,998)	(112)	(397)	—	(8,619)
As at 30 June 2010	(4,237)	(19,478)	(271)	(820)	—	(24,806)
Net book value						
As at 30 June 2010	37,847	101,518	486	2,860	—	142,711
As at 30 June 2009	19,326	33,321	339	3,257	52,117	108,360

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Furniture, fittings and equipment RMB'000
Cost	
As at 30 June 2009	—
Additions	97
As at 30 June 2010	97
Accumulated depreciation	
As at 30 June 2009	—
Additions	(21)
As at 30 June 2010	(21)
Net book value	
As at 30 June 2010	76
As at 30 June 2009	—

All buildings owned by the Group are located in the PRC.

17. LAND USE RIGHTS

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Beginning of the year/period	**3,416**	2,521
Add: additions	**8,056**	1,000
Less: amortisation	**(191)**	(105)
As at 30 June	**11,281**	3,416

All the Group's land use rights relate to land located in the PRC.

18. RENTAL PREPAYMENTS

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Beginning of the year/period	**50,321**	18,328
Add: additions	**106,873**	49,365
Less: amortisation	**(15,751)**	(17,372)
As at 30 June	**141,443**	50,321

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Representing:		
Current portion	**14,855**	14,570
Non-current portion	**126,588**	35,751
	141,443	50,321

This represents prepayments of long-term rentals under operating leases for orange farms.

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

19. PLEDGED BANK DEPOSITS

The amount represents deposits pledged at banks to secure bank loans granted to the Group (note 27). The pledged bank deposits will be released upon the termination of the relevant loan instruments.

20. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Unlisted shares, at cost	**49,254**	45,020

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

21. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
FCOJ	**4,083**	9,332
Consumables and packing materials	**451**	229
	4,534	9,561

No provisions were made against inventories as at 30 June 2010 (2009: nil).

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

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Carrying amount of inventories sold	**288,228**	329,956
Write-down of inventories	**5,579**	6,309
	293,807	336,265

(c) Production quantities of agricultural produce:

	Year ended 30 June 2010 tonnes	Eighteen months ended 30 June 2009 tonnes
Oranges	**146,277**	97,843

22. BIOLOGICAL ASSETS

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

		Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Beginning of the year/period		**55,258**	5,799
Increase due to cultivation		**85,069**	121,550
Gain from changes in fair value less estimated point-of-sale costs	(i)	**77,125**	44,352
Harvested oranges transferred to inventories		**(175,233)**	(116,443)
As at 30 June	(ii)	**42,219**	55,258

(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. The directors consider that there is no active market for the immature oranges before harvest as at 30 June. 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 2010 and 30 June 2009 cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, biological assets as at 30 June 2010 and 30 June 2009 continue to be stated at cost.

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

23. TRADE AND OTHER RECEIVABLES

The Group

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Trade receivables	36,446	63,702
Prepayments	2,533	445
Other receivables	489	956
	39,468	65,103

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Other receivables	341	164

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

The Group's credit policy is set out in note 33(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 2010 RMB'000	As at 30 June 2009 RMB'000
Within three months	36,426	63,658
Over three months but less than six months	1	42
Over six months but less than one year	19	2
	36,446	63,702

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(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 2010 RMB'000	As at 30 June 2009 RMB'000
Neither past due nor impaired	**36,426**	63,658
Less than three months past due	**1**	42
Three months to one year past due	**19**	2
	20	44
	36,446	63,702

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 certain 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.

24. TIME DEPOSITS

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Balances with banks denominated in HKD	**2,650**	2,678

The time deposits with banks as at 30 June 2010 are with a term of one year and bear fixed interest rate of 0.5% per annum.

25. CASH AND CASH EQUIVALENTS

The Group

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Denominated in RMB	**282,526**	192,244
Denominated in HKD	**10,390**	877
Denominated in USD	**136,158**	—
Total cash and cash equivalents	**429,074**	193,121

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 33(c).

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Denominated in HKD	**9,949**	599
Denominated in USD	**340**	—
Total cash and cash equivalents	**10,289**	599

26. TRADE AND OTHER PAYABLES

The Group

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Trade payables	10,467	9,960
Other payables and accrued expenses	7,255	8,968
	17,722	18,928

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Other payables and accrued expenses	1,861	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 33(b).

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

The Group

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Not past due	10,467	9,960

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

The Group

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Other tax payables	3,787	3,184
Salaries and bonuses payable	852	3,800
Accrued expenses	1,315	1,277
Other payables	1,301	707
	7,255	8,968

27. 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 33.

(a) Loans and borrowings were repayable as follows:

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
After 2 years but within 3 years	**2,550**	—
After 3 years	**2,550**	5,100
	5,100	5,100
Representing:		
Secured bank loan	**5,100**	5,100

The above loans and borrowings were all denominated in RMB.

The secured bank loan of RMB 5,100,000 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) 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 2010 RMB'000	As at 30 June 2009 RMB'000
Pledged bank deposits (note 19)	**5,100**	5,100

28. DEFERRED INCOME

Deferred income represents local government grant received 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.

29. CONVERTIBLE BONDS

In May 2010, the Company issued United States Dollar ("USD") Settled Unsecured Zero Coupon Convertible Bonds due 2012 in the aggregate principal amount of USD 22,000,000 (the "Convertible Bonds" or "the Bonds"). The subscription amount payable in respect of each USD 1,000,000 principal amount of the Bonds is approximately RMB 6,833,000. The issue of the Bonds was completed on 28 May 2010.

The principal terms of the Convertible Bonds are as follows:

(a) Optional conversion

Each bond will, at the option of the holder ("Bondholders"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 28 May 2010 up to and including 7 May 2012 (the "Conversion Period") into fully paid ordinary shares of the Company (the "Shares") with a par value of HKD 0.01 each at a conversion price of HKD 2.20 per share and a fixed exchange rate of USD 1.00 to HKD 7.7825 (the "Conversion Price"). A total of 77,825,000 Shares will be allotted and issued upon full conversion of the Bonds at the Conversion Price with USD principal amount of the Bonds.

(b) Mandatory conversion

Each bond will, in the event that the closing price of the Shares for 30 consecutive trading days during the Conversion Period exceeds HKD 3.00 per Share, be mandatorily converted (unless previously redeemed, converted or purchased and cancelled) into the Shares with a par value of HKD 0.01 each at the Conversion Price. A total of 77,825,000 Shares will be allotted and issued upon full conversion of the Bonds at the Conversion Price with USD principal amount of the Bonds.

(c) Redemption at maturity

Unless previously redeemed, converted, or purchased and cancelled, the Bonds will be redeemed on 14 May 2012 at an amount equal to their USD principal amount multiplied by 110%.

(d) Redemption at the option of the Bondholders

The Company will, at the option of any of the Bondholders, redeem all or some of the Bonds at their USD principal amount multiplied by 110% when there is a change of control of the Company, or when the Shares cease to be listed or admitted to trading on the Stock Exchange.

29. CONVERTIBLE BONDS *(Continued)*

As the functional currency of the Company is the Hong Kong Dollar ("HKD"), the conversion of the Convertible Bonds will be settled by exchange of a fixed amount of cash in HKD with a fixed number of the Company's equity instruments. In accordance with the requirements of HKAS 39 *Financial Instruments — Recognition and Measurement*, the Convertible Bonds contract needs to be separated into a liability component consisting of the straight debt element of the Bonds, a number of embedded financial derivatives consisting of redemption options, and an equity component representing the conversion options of the bondholders to convert the Bonds into equity. The proceeds received from the issue of the Convertible Bonds have been split as follows:

(i) Liability component represents the fair value of the contractually determined stream of cash flows discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives and the conversion features. The interest charged for the period is calculated by applying an effective interest rate of 11.54% to the liability component since the Convertible Bonds were issued.

(ii) Embedded derivatives comprise the fair value of the Bondholders' redemption options.

(iii) Equity component represents the conversion options, which is determined by deducting the fair value of the liability component and financial derivatives from the proceeds of issue of the compound financial instrument as a whole.

The fair value of the liability component of the Convertible Bonds was calculated using the Discounted Cash Flow model. The major inputs used in the model as at 28 May 2010 were as follows:

	Liability component of the Company
Stock price	HKD 2.65
Exercise price	HKD 2.20
Risk-free rate	0.73%
Expected life	2 years
Volatility	61.34%

The stock price was as at 28 May 2010. The risk-free rate was determined with reference to the Hong Kong Exchange Fund Notes Yields as extracted from Bloomberg. The expected life was the remaining life of the Convertible Bonds. The volatilities were determined based on the historical price volatility of the Company.

Any changes in the major inputs used in the model will result in changes in the fair value of the liability component. The variables and assumptions used in calculating the fair value of the liability component are based on the directors' best estimates.

The directors consider the possibility of the occurrence of the events of change of control and delisting is nil and the fair value of the Bondholder's redemption options is nil as at 28 May 2010 and 30 June 2010.

29. CONVERTIBLE BONDS *(Continued)*

The movement of the liability component and the equity component of the Convertible Bonds for the year is set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
As at 1 July 2009	—	—	—
Issue of Convertible Bonds	137,605	12,718	150,323
Transaction costs on issue of Convertible Bonds	(4,683)	(433)	(5,116)
Interest charged during the year ended 30 June 2010	1,278	—	1,278
Foreign exchange difference	(711)	—	(711)
As at 30 June 2010	133,489	12,285	145,774

No conversion of the Convertible Bonds has occurred up to 30 June 2010.

30. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities as at 30 June 2010 and 30 June 2009 are attributable to the following:

	Assets		Liabilities		Net	
	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000	**As at 30 June 2010 RMB'000**	As at 30 June 2009 RMB'000	**As at 30 June 2010 RMB'000**	As at 30 June 2009 RMB'000
Accrued bonuses	—	(813)	—	—	—	(813)
Undistributed retained earnings of PRC subsidiaries	—	—	**1,250**	725	**1,250**	725
	—	(813)	**1,250**	725	**1,250**	(88)

30. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

(a) Recognised deferred tax assets and liabilities *(Continued)*

Pursuant to the New Tax Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong provided they meet certain criteria) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As at 30 June 2010, the Group is in the process of seeking approval for the application of the preferential withholding tax of 5% in relation to the dividend income and the directors expect to obtain the approval in the foreseeable future. As the Company controls the dividend policy of the Group's PRC subsidiaries, as at 30 June 2010, deferred tax liabilities of RMB 1,250,000 (30 June 2009: RMB 725,000) 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, based on the assumption that the approval for the 5% preferential withholding tax rate will be obtained. Deferred tax liabilities of RMB 13,162,000 have not been recognised as at 30 June 2010 (30 June 2009: RMB 4,447,000), as the directors consider it probable that a portion of the profits earned by the Group's PRC subsidiaries for the year ended 30 June 2010 would not be distributed in the foreseeable future.

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

	As at 1 January 2008 RMB'000	Recognised in consolidated income statement RMB'000	As at 30 June 2009 RMB'000	Recognised in consolidated income statement RMB'000	**As at 30 June 2010 RMB'000**
Accrued bonus	—	(813)	(813)	813	**—**
Fair value gain included in inventory	2,459	(2,459)	—	—	**—**
Undistributed retained earnings of PRC subsidiaries	—	725	725	525	**1,250**
	2,459	(2,547)	(88)	1,338	**1,250**

31. 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"). Each option gives the holder the right to subscribe for one ordinary share of HKD 0.01 each of the Company.

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.

31. SHARE-BASED PAYMENTS *(Continued)*

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 Company granted 39,000,000 share options with a subscription price of HKD 0.75 per share to certain qualified participants, all of whom were full-time employees of the Group.

On 11 October 2009, the Company granted an additional 10,000,000 share options with a subscription price of HKD 0.90 per share to an employee of the Group.

(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	
— on 11 October 2009	10,000,000	On the grant date	30.0	10 years
		One year from the grant date	30.0	
		Two years from the grant date	40.0	

31. SHARE-BASED PAYMENTS *(Continued)*

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

	Year ended 30 June 2010		Eighteen months ended 30 June 2009	
	Weighted average exercise price HKD	Number of options	Weighted average exercise price HKD	Number of options
Outstanding at the beginning of the year/period	0.75	38,000,000	—	—
Granted during the year/period	0.90	10,000,000	0.75	39,000,000
Exercised during the year/period	0.75	(3,450,000)	—	—
Cancelled during the year/period	0.75	(2,500,000)	—	—
Lapsed during the year/period	—	—	0.75	(1,000,000)
Outstanding at 30 June	0.79	42,050,000	0.75	38,000,000
Exercisable at 30 June	0.79	10,700,000		nil

The options outstanding at 30 June 2010 had a weighted average exercise price of HKD 0.79 (30 June 2009: HKD 0.75) and a weighted average remaining contractual life of 8.60 years (30 June 2009: 9.39 years).

(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 11 October 2009	At 18 November 2008
Fair value at measurement date	HKD 3,912,000	HKD 11,899,000
Share price	HKD 0.90	HKD 0.75
Exercise price	HKD 0.90	HKD 0.75
Expected volatility	74.85%	57.30%
Expected dividend yield	0%	1.86%
Option life	10 years	10 years
Risk free interest rate (based on Hong Kong Exchange Fund Notes Rate)	2.21%	1.55%

31. SHARE-BASED PAYMENTS *(Continued)*

(c) Fair value of share options and assumptions *(Continued)*

The expected volatility of share options issued on 18 November 2008 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.

The expected volatility of share options issued on 11 October 2009 was determined with reference to the volatilities of comparable companies and the Company. Expected dividends are based on the historical dividend yield rate of the Company 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 options granted.

32. SHARE CAPITAL AND RESERVES

(a) The Company

	Share capital RMB'000 (note 32(d))	Share premium RMB'000 (note 32(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	801	17,199	—	—	—	18,000
Acquisition of non-controlling interests	89	23,332	358	—	—	23,779
Issue of shares on capitalisation of share premium account	5,706	(5,706)	—	—	—	—
Issue of shares through Initial Public Offering	2,195	136,074	—	—	—	138,269
Share issue expenses	—	(24,525)	—	—	—	(24,525)
Equity settled share-based payment	—	—	3,622	—	—	3,622
Total comprehensive income for the period	—	—	—	170	(3,103)	(2,933)
As at 30 June 2009	8,791	146,374	3,980	170	(3,103)	156,212
Total comprehensive income for the year	—	—	—	14	(7,793)	(7,779)
Share options exercised	31	2,249	—	—	—	2,280
Issue of convertible bonds (note 29)	—	—	12,285	—	—	12,285
Equity settled share-based payment	—	821	5,517	—	—	6,338
As at 30 June 2010	8,822	149,444	21,782	184	(10,896)	169,336

32. SHARE CAPITAL AND RESERVES *(Continued)*

(b) Dividends

Dividends payable to equity shareholders of the Company attribute to the year/period

	Year ended 30 June 2010	Eighteen months Ended 30 June 2009
Final dividend proposed after the balance sheet date of RMB 0.013 per ordinary share (for the eighteen months ended 30 June 2009: nil)	**13,050,000**	—

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(c) Authorised and issued share capital of the Company

	Number of shares	'000
Authorised:		
Ordinary shares of HKD 0.01 each:		
At 30 June 2009 and 30 June 2010	3,000,000,000	HKD30,000
Equivalent to:		RMB26,376
Ordinary shares, issued and fully paid:		
At 5 February 2008	—	—
Arising on Reorganisation	90,000,000	RMB801
Acquisition of non-controlling interests	10,000,000	RMB89
Issue of shares on capitalisation of share premium account	650,000,000	RMB5,706
Issue of shares through Initial Public Offering	250,000,000	RMB2,195
At 30 June 2009	1,000,000,000	RMB8,791
At 1 July 2009	1,000,000,000	RMB8,791
Share options exercised (note 31)	3,450,000	RMB31
At 30 June 2010	1,003,450,000	RMB8,822

32. SHARE CAPITAL AND RESERVES *(Continued)*

(c) Authorised and issued share capital of the Company *(Continued)*

On 23 November 2009, options granted under the Share Option Scheme were exercised to subscribe for 3,450,000 ordinary shares of the Company at a consideration of HKD 2,587,500 (equivalent to RMB 2,280,000), of which HKD 34,500 (equivalent to RMB 31,000) was credited to share capital and the balance of HKD 2,553,000 (equivalent to RMB 2,249,000) was credited to the share premium account.

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.

(d) Share capital

Share capital in the consolidated balance sheet as at 30 June 2010 and 30 June 2009 represents the issued capital of the Company comprising 1,003,450,000 shares of HKD 0.01 each (equivalent to RMB 8,822,000 in total) and 1,000,000,000 shares of HKD 0.01 each (equivalent to RMB 8,791,000 in total), respectively.

(e) Share premium

Share premium in the consolidated balance sheet as at 30 June 2010 and 30 June 2009 represents the share premium of the Company.

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 of the Group at 30 June 2010 comprises the following:

— The excess of paid-in capital of Summi Fujian of RMB 3,585,000.

— The capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB 36,396,000.

— The difference between the consideration paid by Chongqing Shangguo to obtain the non-controlling interest in Sanming Tianyi and its carrying amount on the date of the acquisition.

— The fair value of the actual or estimated number of share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 4(m)(iii).

— The amount allocated to the equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 4(f)(ii).

32. 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 capital. 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 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 138,548,000 (30 June 2009: RMB 143,271,000).

(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.

33. 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, time deposits, pledged bank deposits, and trade and other receivables. The Group's financial liabilities include loans and borrowings, trade and other payables and convertible bonds.

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. 38% and 62% of the total trade receivables were due from the Group's largest trade debtor and the five largest trade debtors as at 30 June 2010 (30 June 2009: 12% and 40%), 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 23.

(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.

33. 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 RMB 510,314,000 and RMB 318,059,000 as at 30 June 2010 and 30 June 2009, respectively. The Group recorded a net cash inflow from operating activities of approximately RMB 123,202,000 and RMB 105,111,000 for the year ended 30 June 2010 and the eighteen months ended 30 June 2009, respectively. For the year ended 30 June 2010 and the eighteen months ended 30 June 2009, the Group had an increase in cash and cash equivalents of RMB 235,953,000 and RMB 125,338,000, 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 2010					
	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	17,722	(17,722)	(17,722)	—	—	—
Loans and borrowings	5,100	(5,100)	—	—	(2,550)	(2,550)
Convertible bonds	133,489	(165,355)	—	(165,355)	—	—
	156,311	(188,177)	(17,722)	(165,355)	(2,550)	(2,550)

	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)

33. FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	As at 30 June 2010					
	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	1,861	(1,861)	(1,861)	—	—	—
Convertible bonds	133,489	(165,355)	—	(165,355)	—	—
Payables due to subsidiaries	11,837	(11,837)	—	—	—	(11,837)
	147,187	(179,053)	(1,861)	(165,355)	—	(11,837)

	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)
	13,037	(13,037)	(1,200)	—	—	(11,837)

(c) Interest rate risk

The Group's interest rate risk arises primarily from convertible bonds, cash and cash equivalents, time deposits and pledged bank deposits.

Cash and cash equivalents comprise mainly cash at bank, with variable interest rates ranging from 0.01% to 1.2375% per annum as at 30 June 2010 (30 June 2009: ranging from 0.01% to 0.36% per annum). Time deposits are not held for speculative purposes. Pledged bank deposits are held for securing bank loans granted to the Group.

The interest rates and maturity information of the Group's convertible bonds are disclosed in note 29. 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.

33. FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	As at 30 June 2010		As at 30 June 2009	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate instruments				
Time deposits	0.50%	2,650	0.50%	2,678
Pledged bank deposits	4.77%-5.13%	5,100	4.77%-5.13%	5,100
Convertible bonds	11.54%	(133,489)	—	—
		(125,739)		7,778
Variable rate instruments				
Cash at bank	0.01%-1.2375%	429,074	0.01%-0.36%	193,121

(d) Foreign currency risk

The Group is exposed to currency risks primarily through cash and cash equivalents and convertible bonds (see note 29(c)) that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily HKD and USD.

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the PBOC rates.

In respect of trade and other receivables, trade and other payables and borrowings held in a currency other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

33. FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(i) Exposure to currency risk

	As at 30 June 2010		As at 30 June 2009	
	HKD '000	USD '000	HKD '000	USD '000
Cash and cash equivalents	43	136,158	43	—
Time deposits	2,650	—	2,678	—
Convertible bonds	—	(133,489)	—	—
Overall net exposure	2,693	2,669	2,721	—

The following significant exchange rates applied during the year/period:

	Average rates		Reporting date spot rate	
	Year ended 30 June 2010	Eighteen months ended 30 June 2009	Year ended 30 June 2010	Eighteen months ended 30 June 2009
RMB:HKD	1.1404	1.1012	1.1463	1.1344
USD:RMB	6.8114	7.0683	6.7909	6.8319

(ii) Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's profit for the year/period in response to a 5 percent strengthening/weakening of Renminbi against the foreign currencies to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the balances are denominated in a currency other than the functional currencies of the lender or the borrower.

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
HKD		
— 5% strengthening of RMB	(101)	(102)
— 5% weakening of RMB	101	102
USD		
— 5% strengthening of RMB	(133)	—
— 5% weakening of RMB	133	—

33. FINANCIAL INSTRUMENTS *(Continued)*

(d) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis (Continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rate had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rate over the period until the next annual balance sheet date. The analysis is performed on the same basis for the eighteen months ended 30 June 2009.

(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 RMB 216,787,000 and RMB 205,750,000 which accounted for approximately 45% and 44% of the Group's total revenue for the year ended 30 June 2010 and the eighteen months ended 30 June 2009, 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.

33. FINANCIAL INSTRUMENTS *(Continued)*

(f) Fair value

(i) Financial instruments carried at fair value

The Group's financial instruments carried at fair value represent the Bondholders' redemption options (note 29). Given the directors consider the possibility of the occurrence of the events of change of control and delisting during the period from 28 May 2010 to 30 June 2012 is nil, the fair value of the Bondholders' redemption options is nil as at 28 May 2010 and 30 June 2010.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2010 and 30 June 2009.

(g) Estimation of fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 30 June 2010 and 30 June 2009, 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, pledged bank 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.

(iii) Convertible bonds

The Group selects appropriate valuation method and makes assumptions with reference to market conditions existing at each balance sheet date to determine the fair value of the embedded financial derivatives of the convertible bonds that are separated from the host debt contract. The basis for determining the fair value is disclosed in note 29.

34. COMMITMENTS

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

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Authorised and contracted for	**1,193**	49,995

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

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Less than one year	**582**	115
Between one and five years	**21,000**	144
More than five years	**21,000**	—
	42,582	259

35. 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) Significant non-recurring related party transactions

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

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

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Mr. Hong Hong U	**—**	36,396

35. RELATED PARTY TRANSACTIONS *(Continued)*

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

(ii) Acquisition of non-controlling interests from

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Mr. Sin Ke	—	23,673

(b) Receivables due from a subsidiary

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Subsidiary	256,563	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 not to be settled within one year.

(c) Payables due to subsidiaries:

The Company

	As at 30 June 2010 RMB'000	As at 30 June 2009 RMB'000
Subsidiaries	11,837	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 not expected to be settled within one year.

35. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Group's directors as disclosed in note 11 and the highest paid employees as disclosed in note 12, are as follows:

	Year ended 30 June 2010 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Short term employee benefits	**6,242**	4,070
Share-based payments	**5,719**	3,145
Contribution to defined contribution plans	**209**	137
	12,170	7,352

36. ACCOUNTING ESTIMATES AND JUDGEMENTS

Notes 29, 31 and 33 contain information about the assumptions and their risk factors relating to convertible bonds, share-based payments 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.

36. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) 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.

(d) 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 22, 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.

37. NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend on 20 September 2010. Further details are disclosed in note 32(b).

38. COMPARATIVE FIGURES

The directors believe that disclosure of the consolidated income statement information below in respect of the twelve months ended 30 June 2009 is necessary because the comparative figures in these financial statements cover the eighteen months ended 30 June 2009, and as disclosed in note 2, are not comparable in so far as they relate to a longer period than the current year.

	Year ended 30 June 2010 RMB'000	Twelve months ended 30 June 2009 RMB'000	Six months ended 30 June 2008 RMB'000	Eighteen months ended 30 June 2009 RMB'000
Revenue	**479,333**	337,363	126,408	463,771
Cost of sales	**(293,807)**	(252,840)	(83,425)	(336,265)
Gross profit	**185,526**	84,523	42,983	127,506
Gain from changes in fair value of biological assets less estimated point-of-sale costs	**77,125**	44,352	—	44,352
Other income	**2,950**	1,894	600	2,494
Distribution costs	**(24,618)**	(8,272)	(1,998)	(10,270)
Administrative expenses	**(45,362)**	(21,784)	(3,476)	(25,260)
Other expenses	**(258)**	(122)	(197)	(319)
Profit from operations	**195,363**	100,591	37,912	138,503
Finance income	**893**	1,141	450	1,591
Finance expenses	**(1,798)**	64	(2,265)	(2,201)
Net finance (costs)/income	**(905)**	1,205	(1,815)	(610)
Profit before taxation	**194,458**	101,796	36,097	137,893
Income tax	**(36,212)**	(30,727)	(9,699)	(40,426)
Profit for the year/period	**158,246**	71,069	26,398	97,467
Attributable to:				
Equity shareholders of the Company	**156,553**	71,069	23,995	95,064
Non-controlling interest	**1,693**	—	2,403	2,403
Profit for the year/period	**158,246**	71,069	26,398	97,467

39. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 30 June 2010 and 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.

FIVE YEARS FINANCIAL SUMMARY

The consolidated results, assets and liabilities of the Group for the last five financial years as extracted from the financial statements of the Group are summarised below:

Results

	Year ended 31 December			Twelve months ended 30 June	Eighteen months ended 30 June	Year ended 30 June
	2005	**2006**	**2007**	**2009**	**2009**	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	94,480	175,443	265,595	337,363	463,771	479,333
Profit for the year/period	33,458	61,780	69,849	71,069	97,467	158,246

Assets and liabilities

	As at 31 December			As at 30 June	
	2005	**2006**	**2007**	**2009**	**2010**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	103,052	174,285	277,463	493,731	818,480
Total liabilities	32,441	41,894	75,223	39,057	184,745