



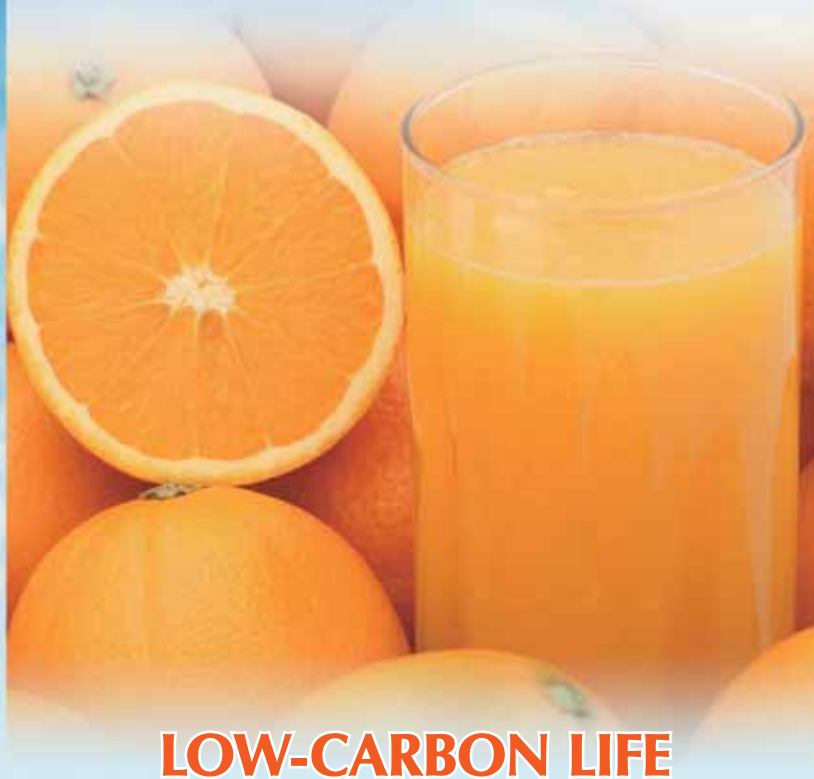
# ASIAN CITRUS HOLDINGS LIMITED 亞洲果業控股有限公司\*

*(incorporated in Bermuda with limited liability)*

(Stock Code: HKSE: 73; AIM: ACHL)

\* For identification purposes only

## Interim Report 2010/2011



### **LOW-CARBON LIFE GREEN and ORGANIC FOOD**



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# Financial Highlights

## RESULTS OF OPERATIONS (RMB MILLION)

	For the six months ended		
	31 December 2010	2009	% change
<b>Reported financial information</b>			
Revenue	<b>624.0</b>	398.3	+56.7
Gross profit	<b>275.4</b>	179.4	+53.5
EBITDA	<b>578.5</b>	291.6	+98.4
Profit before tax	<b>526.4</b>	248.1	+112.2
Profit attributable to shareholders	<b>523.4</b>	247.5	+111.5
Basic earnings per share (RMB)	<b>0.59</b>	0.32	+84.4
Diluted earnings per share (RMB)	<b>0.58</b>	0.32	+81.3
<b>Reported financial information adjusted to exclude biological gain</b>			
EBITDA	<b>240.3</b>	127.2	+88.9
Profit before tax	<b>188.2</b>	83.7	+124.9
Profit attributable to shareholders	<b>185.1</b>	83.0	+123.0
Basic earnings per share (RMB)	<b>0.21</b>	0.11	+90.9
Diluted earnings per share (RMB)	<b>0.21</b>	0.11	+90.9
<b>FINANCIAL RATIOS</b>			
Gross profit margin (%)	<b>44.1</b>	45.0	
Return on assets (%)	<b>6.6</b>	7.7	
Return on equity (%)	<b>7.5</b>	7.9	
Asset turnover (x)	<b>0.08</b>	0.12	

## FINANCIAL POSITION (RMB MILLION)

	31 December 2010	30 June 2010
Total assets	<b>7,945.0</b>	3,871.2
Net current assets	<b>2,170.5</b>	1,052.5
Cash and cash equivalents	<b>2,929.4</b>	975.1
Shareholders' fund	<b>6,936.7</b>	3,819.5
Current ratio (x)	<b>3.34</b>	21.33

# Chairman's Statement

I am very pleased to report the results of Asian Citrus Holdings Limited (the "Company" or "Asian Citrus") and its subsidiaries (collectively referred to as the "Group") for the six months ended 31 December 2010. For the six months ended 31 December 2010, the Group's revenue increased by 56.7% from RMB398.3 million to RMB624.0 million while the net profit increased by 111.5% from RMB247.5 million to RMB523.4 million.

## STRATEGIC OVERVIEW

The Group continued to expand its direct sales to supermarkets and renewed supply contracts with all of its existing supermarket customers. During the six months ended 31 December 2010, the Group sold 38,572 tonnes of oranges directly to supermarkets, representing an increase of approximately 21.9% over the comparable period's volume of sales to supermarkets of 31,632 tonnes. The Group believes that the increasing volume of direct sales to supermarkets will not only provide the Group with enhanced profitability but also lead to better product recognition within China.

The Group is mass producing self-bred saplings from both the Hepu and Hunan Plantations. In addition to using these saplings for our own replanting programme at the Hepu Plantation and the new planting at our Hunan Plantation, the Group sold approximately 270,000 self-bred saplings to local farmers during the six months ended 31 December 2010. The sales of self-bred saplings provide the Group with a high margin revenue stream and the capability to secure long-term supplies of high-quality oranges through reciprocal agreements with the farmers which offer the Group the first right to purchase their oranges.

During the six months ended 31 December 2010, the Group continued to invest in the Hunan Plantation. As at 31 December 2010, the Group had invested approximately RMB209.0 million in the Hunan Plantation which mainly represents expenditure for land clearing, land cultivation, planting costs for the orange trees and other farmland infrastructure. The development of this plantation is in line with our expectations and approximately 120,000 orange trees have been planted as at 31 December 2010 with another approximately 320,000 orange trees to be planted in the first quarter of 2011.

The Group formally completed the acquisition of 92.94% equity interest in Beihai Perfuming Garden Juice Company Limited ("Beihai BPG") on 30 November 2010 and this represents a major milestone for the Group to expand into the concentrated juice market in China. In addition to the existing production facilities of Beihai BPG in Beihai city and Hepu county of Guangxi Zhuang Autonomous Region (the "Guangxi Region"), we intend to expand the production capacity of Beihai BPG by constructing a new production facility by the end of 2011 in the Baise of the Guangxi Region. The annual production output capacity of this new facility, which we plan to open in early 2012, is expected to be approximately 40,000 tonnes.

## OPERATIONS REVIEW

The Hepu Plantation is fully developed with approximately 1.3 million orange trees of which 1.0 million are currently producing oranges. Output from the Hepu Plantation was 50,517 tonnes for the six months ended 31 December 2010 which represents a decrease of approximately 7.3% over the comparable year's production of 54,511 tonnes. The decrease in production volume was anticipated and due to the ongoing replanting programme at the plantation where 64,194 winter orange trees were replaced with the same number of summer orange trees during the year ended 30 June 2010.

## Chairman's Statement

The Xinfeng Plantation is fully planted with 1.6 million winter orange trees. During the six months ended 31 December 2010, all the 1.6 million trees were producing oranges (2009: 1.2 million), yielding 93,181 tonnes of oranges, which represents an increase of approximately 55.3% over the previous year's production of 60,019 tonnes. Growth was mainly due to increased production from the first three phases of 1.2 million winter oranges trees, which are yet to achieve their full maturity, together with the trial production from the final 400,000 trees.

The Group's replanting programme in the Hepu Plantation continues and there were approximately 178,000 winter oranges trees as at 31 December 2010 which are expected to be replanted in the next three years. Since the period end, 63,584 winter orange trees have been removed and the corresponding land area has been replanted with the same number of the new species of summer orange trees. We believe the improved species of trees being planted will deliver long term economic benefits by increasing average yields and achievable revenue per tonne. It is expected that the first batch of 55,185 trees replanted during 2007 will commence production in the coming summer of 2011 which will add to our existing summer orange production.

We have consolidated the trading results of Beihai BPG since the completion of the acquisition on 30 November 2010, and we are in the process of integrating the Beihai BPG's business with our own. Whilst tropical fruit juice concentrates continue to be its major products, Beihai BPG started to increase the production of orange juice concentrate in December 2010. Although the orange juice concentrate production only accounts for a relatively small part of Beihai BPG's operation for now, we are keen to increase the production of orange juice concentrate which is one of the most popular and in-demand fruit juice products in China.

### **Potential development**

The Group entered into a non-legally binding memorandum of understanding in relation to the acquisition of a state-owned citrus fruit plantation with approximately 1.1 million fruit trees and ancillary facilities in the Fuchuan county of the Guangxi Region on 15 April 2010 and the exclusivity period of this memorandum of understanding was extended to 30 April 2011 following the execution of the supplementary memorandum of understanding on 31 January 2011. Whilst we will strive to complete this deal before the end of the exclusivity period, we will continue to investigate other suitable fruit plantations for potential acquisition in order to further strengthen our own supply of high quality fruit products.

### **Share placement**

In December 2010, 175,000,000 new ordinary shares were placed at HK\$8.88 each, raising net proceeds of approximately HK\$1,510 million. The proceeds are intended to be used for (i) paying the cash consideration of HK\$780 million in relation to the acquisition of Beihai BPG; (ii) financing the expansion of the production capacity of Beihai BPG; and (iii) financing the corresponding additional working capital requirement resulting from the expansion of its production capacity.

### **Dividends**

Following the completion of the acquisition of Beihai BPG, the board of directors of the Company (the "Board") acknowledges that the Group is now subject to less seasonality of its revenue and cashflows. In view of this change, the Board recommends the payment of an interim dividend of RMB0.02 per share for the six months ended 31 December 2010. This is the first interim dividend declared by the Group since it became a public listed company in 2005.

## Chairman's Statement

The Company has decided to institute a Scrip Dividend Scheme whereby shareholders can elect to receive the dividends for the six months ended 31 December 2010 in the form of shares. A document providing further details of this Scrip Dividend Scheme will be sent to shareholders in due course. The interim dividend will be paid in sterling or HK Dollar on or before 3 May 2011, to shareholders whose names appear on the register on 11 March 2011, with an ex-dividend date of 10 March 2011 and 9 March 2011 on The Stock Exchange of Hong Kong Limited and London Stock Exchange PLC respectively. The actual translation rate for the purpose of dividend payment in sterling or HK Dollar will be referenced to the exchange rate on 11 March 2011.

In order to qualify for receiving the interim dividend, shareholders registered on the Hong Kong branch register of the Company are reminded to ensure that all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30p.m. on 11 March 2011.

### **Investor relations**

A key priority of the Board is the maintenance of good communications with shareholders and potential investors. The Group's management pays regular visits to institutional investors and private client investment advisers and attends investor conferences in order to update existing shareholders and potential investors on the Group's latest business developments.

### **Outlook**

The Group is progressing well and is increasing its presence in the Chinese retail market with higher production volume of direct sales to supermarkets. The completion of the acquisition of Beihai BPG is an important milestone for the Group in moving downstream and offers the Group better flexibility in dealing with the ever-changing needs of the consumer market. With the expected growth of the Chinese economy, we are confident that the demand for high quality oranges and juice concentrates in China will continue to grow, providing the Group with an exciting opportunity to further expand its business in both the agricultural and fruits processing businesses. The Group will continue to build on its existing market leading position by expanding its distribution network, increasing its production capacity and enhancing its sourcing capability through further development of its nursery business.

On behalf of the Board, I would also like to take this opportunity to thank our shareholders, business partners, customers and employees for their continuous support and contribution to the growth of Asian Citrus. I look forward to the further integration of the Asian Citrus and Beihai BPG business and I am confident that the Group will continue to deliver strong performance and create a platform for greater success in the future.

**Tony Tong Wang Chow**

*Chairman*

25 February 2011



# Management Discussion and Analysis

## OPERATING PERFORMANCE

### Revenue

The breakdown of revenue by types is as follows:

	For the six months ended 31 December			
	2010		2009	
	RMB'000	% of total revenue	RMB'000	% of total revenue
Hepu Plantation	194,736	31.2%	190,768	47.9%
Xinfeng Plantation	330,988	53.0%	194,016	48.7%
<b>Sales of oranges</b>	<b>525,724</b>	<b>84.2%</b>	384,784	96.6%
<b>Sales of processed fruit</b>	<b>69,410</b>	<b>11.1%</b>	–	–
<b>Sales of self-bred saplings</b>	<b>2,705</b>	<b>0.5%</b>	4,028	1.0%
<b>Sales of properties</b>	<b>26,198</b>	<b>4.2%</b>	9,460	2.4%
<b>Total revenue</b>	<b>624,037</b>	<b>100.0%</b>	398,272	100.0%

Revenue from the sale of oranges grew by 36.6% to RMB525.7 million for the six months ended 31 December 2010. This was achieved by an increase of approximately 25.5% in the Group's production to 143,698 tonnes combined with increase in average selling price of oranges of approximately 9% year on year.

The production yield from the Hepu Plantation decreased by 7.3% from 54,511 tonnes to 50,517 tonnes for the six months ended 31 December 2010 due to the ongoing replanting programme. During the year ended 30 June 2010, 64,194 winter orange trees were removed and replanted with the same number of the summer orange trees. As the orange trees continue to mature and more trees reached orange-bearing age, the production yield from the Xinfeng Plantation increased significantly by 55.3% to 93,181 tonnes for the six months ended 31 December 2010 from 60,019 tonnes in the comparable period last year.

After the completion of acquisition of 92.94% equity interest of Beihai BPG on 30 November 2010, the results of Beihai BPG have been consolidated into the Group. For the month ended 31 December 2010, the revenue from the sale of processed fruit was approximately RMB69.4 million.

For the six months ended 31 December 2010, RMB2.7 million was recognised from the sales of the approximately 270,000 self-bred saplings to local farmers.

In addition, the transfer of ownership and titles of 49 wholesale units of Phase I of the Xinfeng Development was completed during the six months ended 31 December 2010. The Group recognised revenue and corresponding costs (excluding business tax and other relevant taxes and charges that may be levied) of approximately RMB26.2 million and RMB13.7 million respectively.

## Management Discussion and Analysis

Combining the above, the Group's revenue increased by 56.7% to RMB624.0 million for the six months ended 31 December 2010.

All of the Group's oranges were sold domestically. The Group's customers from the sales of oranges can be divided into three categories, namely corporate customers, wholesale customers and supermarket chains. The breakdown of types of customers is as follows:

	For the six months ended	
	2010	2009
	% of sale of oranges	% of sale of oranges
<b>Types of customers</b>		
Corporate customers	40.3%	43.2%
Supermarket chains	31.4%	33.3%
Wholesale customers	27.6%	22.3%
Others	0.7%	1.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

For the six months ended 31 December 2010, the production volume and revenue to supermarket chains represented approximately 26.8% and 31.4% respectively of the Group, compared to approximately 27.6% and 33.3% for the six months ended 31 December 2009. For the Hepu Plantation, the production volume and revenue to supermarket chains increased to 32.2% and 44.1% respectively (12/2009: 28.9% and 40.4%). As the Xinfeng Plantation was still at its early stage, the oranges were mainly sold to corporate and wholesale customers, thereby negatively impacting the percentage of sales to supermarket chains.

For the Hepu Plantation and Xinfeng Plantation, the production volume sold to supermarkets was 16,248 tonnes and 22,324 tonnes for the six months ended 31 December 2010, increasing from 15,773 tonnes and 15,859 tonnes for the six months ended 31 December 2009 respectively.



## Management Discussion and Analysis

### Cost of sales

The breakdown of cost of sales is as follows:

Cost of sales	For the six months ended 31 December			
	2010		2009	
	RMB'000	% of cost of sales	RMB'000	% of cost of sales
Inventories used				
Fertilisers	158,326	55.6%	117,436	55.5%
Packaging materials	16,643	5.8%	16,999	8.0%
Pesticides	25,095	8.8%	15,946	7.5%
	200,064	70.2%	150,381	71.0%
Production overheads				
Direct labour	26,902	9.5%	20,054	9.5%
Depreciation	41,546	14.6%	34,949	16.3%
Others	16,127	5.7%	6,298	3.2%
<b>Cost of sales of oranges</b>	<b>284,639</b>	<b>100%</b>	<b>211,682</b>	<b>100%</b>
<b>Cost of sales of processed fruit</b>	<b>49,110</b>		–	
<b>Cost of sales of self-bred saplings</b>	<b>1,109</b>		1,270	
<b>Cost of sales of properties</b>	<b>13,742</b>		5,926	
<b>Total</b>	<b>348,600</b>		<b>218,878</b>	

Cost of sale of oranges principally consists of the costs of raw materials such as fertilisers, packaging materials, pesticides, and other direct costs such as direct labour, depreciation and production overheads. The production cost of sale of oranges increased by 34.5% to RMB284.6 million (12/2009: RMB211.7 million). The increase in production costs was principally due to the increase in raw materials utilised for higher production volumes and the trial production for the final batch of 400,000 orange trees in Xinfeng Plantation during the period.

The unit cost of production in the Hepu Plantation increased by 19.4% to approximately RMB1.72 per kg for the six months ended 31 December 2010 (12/2009: RMB1.44 per kg) as a result of the decrease in production volume of winter oranges due to the ongoing replanting programme.

The unit cost of production in the Xinfeng Plantation decreased by 4.5% to approximately RMB2.12 per kg for the six months ended 31 December 2010 (12/2009: RMB2.22 per kg) as a result of the better economies of scale achieved from the increased maturity of the oranges trees.

The combined unit cost of production increased by 7.0% to RMB1.98 per kg from RMB1.85 per kg in the comparable period.

Cost of sale of processed fruit mainly includes the costs of fruit and other direct costs such as direct labour, depreciation and production overheads. For the one month ended 31 December 2010, the cost of processed fruit was approximately RMB49.1 million.

## Management Discussion and Analysis

### Gross profit

The Group's overall gross profit increased by 53.5% to approximately RMB275.4 million for the six months ended 31 December 2010 (12/2009: RMB179.4 million). The improvement in gross profit was the result of an increase in the production output of the Group's winter orange trees of 25.5%, an increase in the average price of oranges of approximately 9% year on year and inclusion of the one month gross profit of Beihai BPG of RMB20.3 million.

The following table sets forth a breakdown of the Group's gross profit margin by plantation:

	For the six months ended	
	31 December 2010	2009
Hepu Plantation	55.4%	58.9%
Xinfeng Plantation	40.2%	31.3%

The following table sets out a breakdown of the Group's gross profit margin by business:

	For the six months ended	
	31 December 2010	2009
<b>Sales of oranges</b>	45.9%	45.0%
<b>Sales of processed fruits</b>	29.2%	N/A
<b>Sales of self-bred saplings</b>	59.0%	68.5%
<b>Sales of properties</b>	47.5%	37.3%
<b>Overall gross profit margin</b>	44.1%	45.0%

The gross margin of the Hepu Plantation dropped to approximately 55.4% for the six months ended 31 December 2010 (12/2009: 58.9%) as a result of the decrease in the production volume of winter oranges from the ongoing replanting programme.

The Xinfeng Plantation, benefiting from trees continuing to mature and more trees reaching orange bearing age, saw the gross margin increasing to approximately 40.2% for the six months ended 31 December 2010 (12/2009: 31.3%). As a result of the continuous growth in production volume and better economies of scale, we expect margins of the Xinfeng Plantation will continue to grow over the medium term.

Combining the above, the overall gross profit margin from sales of oranges slightly increased to approximately 45.9% (12/2009: 45.0%) for the six months ended 31 December 2010.

### Other income

The Group recorded a gain of RMB338.2 million from a net gain on change in fair value of biological assets for the six months ended 31 December 2010, compared to a gain of RMB164.5 million for the last corresponding period in 2009. The increase was mainly due to the higher selling price of the oranges achieved by the Group and the transfer of 400,000 infant trees to orange trees and the increased maturity of orange trees in Xinfeng Plantation during the period.

## Management Discussion and Analysis

### ***Selling and distribution expenses***

Selling and distribution expenses mainly comprise sales commissions, advertising, salaries and welfare of sales personnel, travelling and transportation expenses. The selling and distribution expenses of the Group increased from approximately RMB18.8 million for the six months ended 31 December 2009 to approximately RMB27.4 million for the six months ended 31 December 2010, representing an increase of 45.7%, mainly resulting from the increased sale activities at the Xinfeng Plantation and Beihai BPG.

### ***General and administrative expenses***

General and administrative expenses comprise mainly salary, office administration expenses, depreciation, amortization, raw material utilised for infant trees and research costs. The general and administrative expenses of the Group were approximately RMB63.4 million for the six months ended 31 December 2010 (12/2009: RMB77.6 million). The decrease was mainly due to less raw materials of RMB22.9 million, being utilised for the infant trees in Xinfeng Plantation as all trees became fruit bearing during the period and there was an one-off listing expense of RMB16.3 million in the corresponding period last year. However, the decrease was partially offset by the increase of the share based payment of RMB15.2 million in relation to the employee share options, more raw materials of RMB4.0 million being utilised for the infant trees in Hepu Plantation due to the replanting programme and professional fees of RMB2.1 million arising from the acquisition of Beihai BPG.

### ***Profit***

Pre-tax profit was approximately RMB526.4 million for the six months ended 31 December 2010, representing an increase of 112.2% as compared to the corresponding period in 2009. The profit attributable to shareholders for the six months ended 31 December 2010 increased to RMB523.4 million, compared to RMB247.5 million for 2009, up 111.5%.

Pre-tax profit excluding the net gain on change in fair value of biological assets was RMB188.2 million for the six months ended 31 December 2010, representing an increase of 124.9% as compared to the corresponding period in 2009. The profit attributable to shareholders excluding the net gain on change in fair value of biological assets for the six months ended 31 December 2010 was RMB185.1 million, compared to RMB83.0 million for 2009, up 123.0%.

The increase was mainly attributable to the increase in production volume of winter oranges, the increase in average selling price of oranges year on year, the results of Beihai BPG having been consolidated into the Group after the completion of acquisition of 92.94% equity interest of Beihai BPG on 30 November 2010 and the net gain on change in fair value of the biological assets.

### **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of RMB0.02 per share for the six months end 31 December 2010 (12/2009: Nil).

## Management Discussion and Analysis

### PRODUCTIVITY

The production volume of winter oranges increased to 143,698 tonnes for the six months ended 31 December 2010, representing an increase of 25.5%.

The production volume of winter oranges in Hepu Plantation dropped from approximately 54,511 tonnes last year to approximately 50,517 tonnes in the current year, representing a decrease of approximately 7.3%, which was due to the ongoing replanting programme. During the year ended 30 June 2010, 64,194 winter orange trees were removed and replanted with the same number of the summer orange trees.

In addition, the production volume of winter oranges from the Xinfeng Plantation increased from approximately 60,019 tonnes last year to approximately 93,181 tonnes in the current year, representing an increase of approximately 55.3% due to increased maturity and more trees becoming fruit bearing during the period.

### CAPITAL STRUCTURE

As at 31 December 2010, there were 1,213,336,378 shares in issue. Based on the closing price of HKD9.64 as at 31 December 2010, the market capitalisation of the Company was approximately HKD11,696.6 million as at 31 December 2010 (GBP975.9 million).

### HUMAN RESOURCES

There were a total of 1,381 employees of the Group as at 31 December 2010. The Group aims to attract, retain and motivate high calibre individuals with a competitive remuneration package. Remuneration packages are performance-linked and business performance, market practices and competitive market conditions are all taken into consideration. The Group reviews the employees' remuneration packages on an annual basis. The Group also places heavy emphasis on staff training and development so that employees can reach their maximum potential.

### FINANCIAL PERFORMANCE

	<b>31 December 2010</b>	30 June 2010
Current ratio (x)	<b>3.34</b>	21.33
Quick ratio (x)	<b>3.30</b>	19.21
Net debt to equity (%)	<b>Net cash</b>	Net cash

	<b>For the six months ended</b>	
	<b>31 December 2010</b>	31 December 2009
Asset turnover (x)	<b>0.08</b>	0.12
Basic earnings excluding net gain on change in fair value of biological assets per share (RMB)	<b>0.21</b>	0.11
Basic earnings per share (RMB)	<b>0.59</b>	0.32

## Management Discussion and Analysis

### **Liquidity**

The current and quick ratios were 3.34 and 3.30 respectively. The liquidity of the Group remained healthy with sufficient reserves for both operation and development after the acquisition of Beihai BPG.

### **Profitability**

The asset turnover of the Group dropped to 0.08 (12/2009: 0.12) for the six months ended 31 December 2010 as we only consolidated one month results of Beihai BPG during the period.

The basic earnings excluding net gain on change in fair value of biological assets per share for the six months ended 31 December 2010 was RMB0.21 (12/2009: RMB0.11).

The basic earnings per share for the six months ended 31 December 2010 was RMB0.59 (12/2009: RMB0.32). This was driven by the 123.0% increase in profit attributable to shareholders for the period, but was partially offset by the dilution from the issuance of new ordinary shares.

### **Debt ratio**

The net cash positions of the Group were RMB2,051.3 million and RMB975.1 million at 31 December 2010 and 30 June 2010 respectively.

### **Internal cash resource**

The Group's major internal cash resource is its cash and bank balances. The Group did not have any outstanding bank borrowings as at 31 December 2010.

### **Charge on assets and contingent liabilities**

None of the Group's assets were pledged and the Group did not have any material contingent liabilities as at 31 December 2010.

### **Capital commitment**

As at 31 December 2010, the Group had a capital commitment of approximately RMB137.1 million mainly in relation to the construction of the farmland infrastructure in the Hunan Plantation and a new processing plant of Beihai BPG.

### **Foreign exchange risk**

The Group is exposed to currency risk primarily through its cash and cash equivalents 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 Hong Kong dollars, United States dollars and British pounds.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. Management manages its currency risk by closely monitoring the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

# Independent Review Report



**BAKER TILLY**  
HONG KONG LIMITED  
CERTIFIED PUBLIC ACCOUNTANTS

天職香港會計師事務所有限公司

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## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASIAN CITRUS HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

### **Introduction**

We have reviewed the interim financial information of the Company and its subsidiaries set out on pages 14 to 54 which comprises the condensed consolidated statement of financial position as at 31 December 2010 and the related condensed consolidated income statement, statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes. The directors are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the six-month period ended 31 December 2010 is not prepared, in all material respects, in accordance with IAS 34.

### **Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

Hong Kong, 25 February 2011

Chan Kwan Ho, Edmond

Practising Certificate Number P02092

# Condensed Consolidated Income Statement

For the six months ended 31 December 2010

	Note	Six months ended 31 December		Year ended
		2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
<b>Turnover</b>	5	<b>624,037</b>	398,272	812,482
Cost of sales		<b>(348,600)</b>	(218,878)	(344,105)
<b>Gross profit</b>		<b>275,437</b>	179,394	468,377
Other income	6	<b>4,201</b>	668	1,845
Net gain on change in fair value of biological assets	14	<b>338,204</b>	164,462	306,000
Selling and distribution expenses		<b>(27,434)</b>	(18,787)	(45,502)
General and administrative expenses		<b>(63,458)</b>	(77,603)	(143,318)
Other operating expenses		<b>(479)</b>	–	–
<b>Profit from operations</b>		<b>526,471</b>	248,134	587,402
Finance costs		<b>(25)</b>	(11)	(81)
<b>Profit before income tax</b>	7	<b>526,446</b>	248,123	587,321
Income tax expense	8	<b>(1,785)</b>	(648)	(1,854)
<b>Profit for the period/year</b>		<b>524,661</b>	247,475	585,467
<b>Attributable to</b>				
Equity shareholders of the Company		<b>523,351</b>	247,475	585,467
Non-controlling interest		<b>1,310</b>	–	–
		<b>524,661</b>	247,475	585,467
		<b>RMB</b>	RMB	RMB
<b>Earnings per share</b>	10			
– Basic		<b>0.586</b>	0.321	0.741
– Diluted		<b>0.583</b>	0.318	0.735

Details of dividends payable to equity shareholders of the Company attributable to the profit for the period/year are set out in note 22(b).



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Six months ended 31 December		Year ended
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
<b>Profit for the period/year</b>	<b>524,661</b>	247,475	585,467
<b>Other comprehensive income for the period/year</b>			
Exchange differences on translation of financial statements of foreign operations, net of nil tax	2,045	–	–
<b>Total comprehensive income for the period/year</b>	<b>526,706</b>	247,475	585,467
<b>Attributable to</b>			
Equity shareholders of the Company	525,396	247,475	585,467
Non-controlling interest	1,310	–	–
	<b>526,706</b>	247,475	585,467

The accompanying notes form part of this financial information.

# Condensed Consolidated Statement of Financial Position

At 31 December 2010

	Note	31 December		30 June
		2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	11	1,479,227	1,147,724	1,161,437
Land use rights	12	70,569	55,468	54,841
Construction-in-progress	13	131,943	19,328	64,328
Biological assets	14	1,791,810	1,306,098	1,449,565
Intangible assets	15	52,598	31,500	36,800
Interest in an associate	16	–	–	–
Deposits	17	161,888	–	–
Goodwill	25(d)	1,157,261	–	–
		<b>4,845,296</b>	2,560,118	2,766,971
<b>Current assets</b>				
Biological assets	14	3,412	–	90,221
Properties for sale	18	5,280	28,329	18,497
Inventories	19	20,446	672	841
Trade and other receivables	20	141,088	45,002	19,629
Cash and cash equivalents	21	2,929,439	574,865	975,074
		<b>3,099,665</b>	648,868	1,104,262
<b>Total assets</b>		<b>7,944,961</b>	3,208,986	3,871,233
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	22(c)	12,013	8,126	8,767
Reserves		6,924,690	3,134,004	3,810,687
<b>Total equity attributable to equity shareholders</b>		<b>6,936,703</b>	3,142,130	3,819,454
<b>Non-controlling interest</b>		<b>79,120</b>	–	–
		<b>7,015,823</b>	3,142,130	3,819,454

The accompanying notes form part of this financial information.

## Condensed Consolidated Statement of Financial Position

At 31 December 2010

	Note	31 December 2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
<b>Current liabilities</b>				
Trade and other payables	23	928,966	61,183	44,391
Due to related parties	23 & 26(b)	–	5,250	7,110
Income tax payable		172	423	278
<b>Total liabilities</b>		<b>929,138</b>	66,856	51,779
<b>Total equity and liabilities</b>		<b>7,944,961</b>	3,208,986	3,871,233
<b>Net current assets</b>		<b>2,170,527</b>	582,012	1,052,483
<b>Total assets less current liabilities</b>		<b>7,015,823</b>	3,142,130	3,819,454

Approved and authorised to issue by the Board of Directors on 25 February 2011.

**Tong Wang Chow**

Director

**Cheung Wai Sun**

Director

The accompanying notes form part of this financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Attributable to shareholders of the Company											
		Share capital	Share premium	Merger reserve	Share option reserve	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (a))	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))				
<b>At 1 July 2010 (audited)</b>		<b>8,767</b>	<b>924,116</b>	<b>(4,473)</b>	<b>25,260</b>	<b>482,519</b>	<b>44,216</b>	<b>-</b>	<b>2,339,049</b>	<b>3,819,454</b>	<b>-</b>	<b>3,819,454</b>
<b>Changes in equity for the six months ended 31 December 2010:</b>												
Issue of shares to shareholders participating in the scrip dividend	22(c)	63	58,799	-	19,542	-	-	-	-	58,862	-	58,862
Share-based payments		-	-	-	-	-	-	-	-	19,542	-	19,542
Issue of shares upon exercise of share options	22(c)	130	44,370	-	(16,378)	-	-	-	-	28,122	-	28,122
Issue of shares on placement	22(c)	1,575	1,283,303	-	-	-	-	-	-	1,284,878	-	1,284,878
Issue of shares as part of the consideration for acquisition of subsidiaries	22(c)	1,478	1,303,026	-	-	-	-	-	-	1,304,504	-	1,304,314
Acquisition of subsidiaries	25(d)	-	-	-	-	-	-	-	-	-	77,810	77,810
2009/10 final dividend	22(b)	-	-	-	-	-	-	-	(104,055)	(104,055)	-	(104,055)
Total comprehensive income for the period		-	-	-	-	-	-	2,045	523,351	525,396	1,310	526,706
Appropriation to statutory reserve		-	-	-	-	-	54,268	-	(54,268)	-	-	-
<b>At 31 December 2010 (unaudited)</b>		<b>12,013</b>	<b>3,613,614</b>	<b>(4,473)</b>	<b>28,424</b>	<b>482,519</b>	<b>98,484</b>	<b>2,045</b>	<b>2,704,077</b>	<b>6,936,703</b>	<b>79,120</b>	<b>7,015,823</b>
<b>At 1 July 2009 (audited)</b>		<b>8,028</b>	<b>537,853</b>	<b>(4,473)</b>	<b>21,953</b>	<b>482,519</b>	<b>40,327</b>	<b>-</b>	<b>1,819,116</b>	<b>2,905,323</b>	<b>-</b>	<b>2,905,323</b>
<b>Changes in equity for the six months ended 31 December 2009:</b>												
Issue of shares to shareholders participating in the scrip dividend	22(c)	72	41,361	-	-	-	-	-	-	41,433	-	41,433
Issue of shares upon exercise of share options		26	8,949	-	(3,716)	-	-	-	-	5,259	-	5,259
Share-based payments		-	-	-	4,285	-	-	-	-	4,285	-	4,285
2008/09 final dividend		-	-	-	-	-	-	-	(61,645)	(61,645)	-	(61,645)
Total comprehensive income for the period		-	-	-	-	-	-	-	247,475	247,475	-	247,475
Appropriation to statutory reserve		-	-	-	-	-	4,112	-	(4,112)	-	-	-
<b>At 31 December 2009 (unaudited)</b>		<b>8,126</b>	<b>588,163</b>	<b>(4,473)</b>	<b>22,522</b>	<b>482,519</b>	<b>44,439</b>	<b>-</b>	<b>2,000,834</b>	<b>3,142,130</b>	<b>-</b>	<b>3,142,130</b>

The accompanying notes form part of this financial information.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Attributable to shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Share option reserve	Capital reserve	Statutory reserve	Exchange reserve	Retained profits	Total			
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note (a))	(Note (b))	(Note (c))	(Note (d))	(Note (e))	(Note (f))						
<b>At 30 June 2009 (audited)</b>	<b>8,028</b>	<b>537,853</b>	<b>(4,473)</b>	<b>21,953</b>	<b>482,519</b>	<b>40,327</b>	<b>-</b>	<b>1,819,116</b>	<b>2,905,323</b>	<b>-</b>	<b>2,905,323</b>	
<b>Changes in equity for the year ended 30 June 2010:</b>												
Issue of shares to shareholders participating in the scrip dividend	22(c)	72	41,361	-	-	-	-	-	-	41,433	-	41,433
Issue of shares upon exercises of share options	22(c)	55	17,139	-	(7,056)	-	-	-	-	10,138	-	10,138
Issue of shares on placement	22(c)	612	327,763	-	-	-	-	-	-	328,375	-	328,375
Share-based payments		-	-	-	10,363	-	-	-	-	10,363	-	10,363
2008/09 final dividend		-	-	-	-	-	-	-	(61,645)	(61,645)	-	(61,645)
Total comprehensive income for the year		-	-	-	-	-	-	-	585,467	585,467	-	585,467
Appropriation to statutory reserve		-	-	-	-	-	3,889	-	(3,889)	-	-	-
<b>At 30 June 2010 (audited)</b>	<b>8,767</b>	<b>924,116</b>	<b>(4,473)</b>	<b>25,260</b>	<b>482,519</b>	<b>44,216</b>	<b>-</b>	<b>2,339,049</b>	<b>3,819,454</b>	<b>-</b>	<b>3,819,454</b>	

Notes:

- The application of the share premium account is governed by the Companies Act of Bermuda.
- The merger reserve represents the excess of the value of the net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the group reorganisation on 29 June 2005 in preparation for the admission of the Company's shares to AIM of the London Stock Exchange (the "Reorganisation").
- The share option reserve represents the fair value of unexercised share options recognised in accordance with the accounting policy adopted for share-based payments.
- The capital reserve represents amounts due to shareholders capitalised upon the Reorganisation.
- The statutory reserve represents the appropriation of 10% of profit after taxation (after offsetting prior year losses) determined based on the accounting standards and regulations of the People's Republic of China (the "PRC") as required by the relevant PRC rules and regulations and the Articles of Association of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.
- The exchange reserve comprises all foreign exchange differences on translation of the financial statements of foreign operations.

The accompanying notes form part of this financial information.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	Note	Six months ended 31 December		Year ended
		2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
<b>Cash flows from operating activities</b>				
Profit before income tax		<b>526,446</b>	248,123	587,321
Adjustments for:				
Interest income	6	<b>(2,290)</b>	(668)	(1,845)
Finance costs		<b>25</b>	11	81
Depreciation	7	<b>38,887</b>	33,677	68,492
Share-based payments	7	<b>19,542</b>	4,285	10,363
Amortisation of land use rights	7	<b>632</b>	617	1,244
Amortisation of intangible assets	7	<b>1,651</b>	1,200	2,400
Net gain on change in fair value of biological assets	14	<b>(338,204)</b>	(164,462)	(306,000)
Write off of property, plant and equipment	7	<b>71</b>	–	–
<b>Operating profit before working capital changes</b>		<b>246,760</b>	122,783	362,056
Movements in working capital elements:				
Properties for sale		<b>13,217</b>	5,782	19,656
Inventories		<b>1,982</b>	(33)	(202)
Biological assets		<b>86,809</b>	54,638	(35,583)
Trade and other receivables		<b>(9,700)</b>	(30,101)	(4,728)
Trade and other payables		<b>(19,286)</b>	12,448	(4,344)
Due to related parties		<b>(7,110)</b>	2,496	4,356
<b>Cash generated from operations</b>		<b>312,672</b>	168,013	341,211
Income tax paid		<b>(1,891)</b>	(532)	(1,883)
<b>Net cash generated from operating activities</b>		<b>310,781</b>	167,481	339,328

The accompanying notes form part of this financial information.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	Note	Six months ended 31 December		Year ended
		2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(2,338)	(1,159)	(1,698)
Additions to construction-in-progress		(101,998)	(36,791)	(133,822)
Net (addition)/disposal of biological assets		(4,041)	389	(1,540)
Deposits paid for acquisition of property, plant and equipment		(21,538)	–	–
Additions to intangible assets		(2,000)	(2,000)	(8,500)
Interest received		2,290	668	1,845
Acquisition of subsidiaries	25(e)	505,427	–	–
<b>Net cash generated from/(used in) investing activities</b>		<b>375,802</b>	<b>(38,893)</b>	<b>(143,715)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of new shares from placement		1,284,878	–	328,375
Proceeds from issue of new shares upon exercise of share options		28,122	5,259	10,138
Dividends paid	22(b)	(45,193)	(20,212)	(20,212)
Finance costs paid		(25)	(11)	(81)
<b>Net cash generated from/(used in) financing activities</b>		<b>1,267,782</b>	<b>(14,964)</b>	<b>318,220</b>
<b>Net increase in cash and cash equivalents</b>		<b>1,954,365</b>	<b>113,624</b>	<b>513,833</b>
<b>Cash and cash equivalents at beginning of period/year</b>		<b>975,074</b>	<b>461,241</b>	<b>461,241</b>
<b>Cash and cash equivalents at end of period/year</b>	21	<b>2,929,439</b>	<b>574,865</b>	<b>975,074</b>

The accompanying notes form part of this financial information.



# Notes to the Interim Financial Information

## 1 GENERAL INFORMATION

Asian Citrus Holdings Limited (the "Company") was incorporated in Bermuda on 4 June 2003 as an exempted company with limited liability under the Companies Act of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx"), AIM of the London Stock Exchange and PLUS Market plc.

The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The address of its principal place of business is Rooms 1109-1112, Wayson Commercial Building, 28 Connaught Road West, Hong Kong.

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are planting, cultivation and sale of agricultural produce, developing and sale of property units in an agricultural wholesale market and orange processing centre, manufacture and sale of fruit juice concentrates, fruit purees and others, and manufacture and sale of frozen fruits and vegetables.

Details of subsidiaries as at 31 December 2010 are as follows:

Name	Place of incorporation/ establishment	Percentage of equity interest attributable to the Group	Principal activities
<b>Directly held:</b>			
Access Fortune Investments Limited	British Virgin Island ("BVI")	100%	Investment holding
A-One Success Limited	BVI	100%	Investment holding
Newasia Global Limited	BVI	100%	Investment holding
Raised Energy Investments Limited	BVI	100%	Investment holding
<b>Indirectly held:</b>			
Asian Citrus Management Company Limited	BVI	100%	Proprietor and licensor of the Group's intellectual property rights
Asian Citrus (H.K.) Company Limited	Hong Kong	100%	General commercial and leasing of properties
Beihai Perfuming Garden Juice Co., Ltd. ("Beihai BPG")	PRC	92.94%	Trading of fruit juice concentrates, manufacture and sale of frozen fruits and vegetables
BPG Food & Beverage Holdings Ltd., ("BPG Food & Beverage")	Cayman Islands	100%	Investment holding

## Notes to the Interim Financial Information

## 1 GENERAL INFORMATION (Continued)

Name	Place of incorporation/ establishment	Percentage of equity interest attributable to the Group	Principal activities
<b>Indirectly held:</b>			
Chance Lead Holdings Limited	Hong Kong	100%	Investment holding
Fame Zone Limited	BVI	100%	Investment holding
Guilin Perfuming Garden Agricultural Technology Co., Ltd.	PRC	92.94%	Not commenced business yet
Hepu Perfuming Garden Food Co., Ltd.	PRC	92.94%	Manufacture and sale of fruit juice concentrates, fruit purees and others
Litian Biological Sciences & Technology Development (Xinfeng) Company Limited	PRC	100%	Planting, cultivation and sale of oranges
Lucky Team Biotech Development Yongzhou Limited	PRC	100%	Planting, cultivation and sale of oranges
Lucky Team Biotech Development (Hepu) Limited	PRC	100%	Planting, cultivation and sale of oranges
Lucky Team Biotech Development (Zigui) Limited	PRC	100%	Sourcing of oranges and development of nursery
Lucky Team Industrial (Ganzhou) Company Limited	PRC	100%	Development of orange processing centre
Lucky Team Real Estate (Yi Chang) Limited	PRC	100%	Dormant
Lucky Team (Hepu) Agriculture Development Limited	PRC	100%	Development of nursery
Top Honest Holdings Limited	BVI	100%	Investment holding
Wealth Elite Investments Limited	Hong Kong	100%	Investment holding
Zhanjiang Perfuming Garden Food Co., Ltd.	PRC	92.94%	Not commenced business yet

## Notes to the Interim Financial Information

### 2 BASIS OF PREPARATION

The interim financial information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise stated.

The interim financial information has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", issued by the International Accounting Standards Board ("IASB"), the applicable disclosure provisions of the Rules Governing the Listing of Securities on the HKEx and the AIM Rules issued by the London Stock Exchange.

The interim financial information has been prepared under the historical cost convention, as modified by the revaluation of biological assets which are carried at their fair values. The principal accounting policies adopted in the preparation of this interim financial information are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2010, except for the accounting policy changes that are expected to be reflected in the Group's annual financial statements for the year ending 30 June 2011. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial information is unaudited, but has been reviewed by the Company's Audit Committee. This interim financial information has also been reviewed by the Company's auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## Notes to the Interim Financial Information

### 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, 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:

- Amendments to IFRS 2 "Share-based Payment – Group Cash-settled Share-based Payment Transactions"
- Improvements to IFRSs (2009)
- Amendments to IFRSs contained in Improvements to IFRSs (2010) and effective for accounting periods on or after 1 July 2010

The above amendments to IFRSs have had no material impact on the Group's results of operations and financial position, or do not contain any additional disclosure requirements specifically applicable to the interim financial information.

Up to the date of issue of this interim financial information, the IASB has issued a number of amendments, new standards and Interpretations which are not yet effective for the year ending 30 June 2011 and which have not been adopted in the interim financial information. Of these developments, the following relates to matters that may be relevant to the Group's operation and financial statements:

	<b>Effective for accounting periods beginning on or after</b>
• Amendments to IFRSs contained in Improvements to IFRSs (2010)	1 January 2011
• IAS 24 (Revised 2009) "Related Party Disclosures"	1 January 2011
• Amendments to IAS 12 "Income Taxes – IAS 12 Deferred Tax: Recovery of Underlying Assets"	1 January 2012
• IFRS 9 "Financial Instruments"	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application but is not yet in a position to determine whether their adoption will have a significant impact on the Group's results of operations and financial position.

## Notes to the Interim Financial Information

**4 SEGMENT INFORMATION**

The Group manages its businesses by lines of business. 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 presented the following reportable segments:

- Agricultural produce – planting, cultivation and sale of agricultural produce
- Processed fruits – manufacture and sale of fruit juice concentrates, fruit purees, frozen fruits and vegetables
- Other – developing and sale of property units in an agricultural wholesale market and orange processing centre

Following the completion of acquisition of BPG Food & Beverage and its subsidiaries (together the "BPG group"), on 30 November 2010 (note 25), the Group has expanded its businesses into processed fruits operation.

**(a) Segment results, assets and liabilities**

Six months ended 31 December 2010:

	Agricultural produce (unaudited) RMB'000	Processed fruits (unaudited) RMB'000	Other (unaudited) RMB'000	Total (unaudited) RMB'000
Revenue from external customers	528,429	69,410	26,198	624,037
Reportable segment profit	499,105	18,031	9,310	526,446
Reportable segment assets	6,642,734	1,141,093	162,033	7,945,860
Additions to non-current segment assets during the period	109,671	22,195	–	131,866
Reportable segment liabilities	700,564	229,697	81,287	1,011,548

## Notes to the Interim Financial Information

**4 SEGMENT INFORMATION** (Continued)**(a) Segment results, assets and liabilities** (Continued)

Six months ended 31 December 2009:

	Agricultural produce (unaudited) RMB'000	Processed fruits (unaudited) RMB'000	Other (unaudited) RMB'000	Total (unaudited) RMB'000
Revenue from external customers	388,812	–	9,460	398,072
Reportable segment profit	246,639	–	1,484	248,123
Reportable segment assets	3,037,790	–	172,096	3,209,886
Additions to non-current segment assets during the period	39,439	–	120	39,559
Reportable segment liabilities	43,026	–	98,891	141,917

Year ended 30 June 2010:

	Agricultural produce (audited) RMB'000	Processed fruits (audited) RMB'000	Other (audited) RMB'000	Total (audited) RMB'000
Revenue from external customers	<b>784,721</b>	–	<b>27,761</b>	<b>812,482</b>
Reportable segment profit	<b>584,614</b>	–	<b>2,707</b>	<b>587,321</b>
Reportable segment assets	<b>3,705,608</b>	–	<b>166,525</b>	<b>3,872,133</b>
Additions to non-current segment assets during the period	<b>140,641</b>	–	<b>307</b>	<b>140,948</b>
Reportable segment liabilities	<b>38,180</b>	–	<b>93,304</b>	<b>131,484</b>

## Notes to the Interim Financial Information

**4 SEGMENT INFORMATION** (Continued)**(b) Reconciliation of reportable segment assets and liabilities**

	Six months ended 31 December		Year ended 30 June
	2010	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000	(audited) RMB'000
<b>Assets</b>			
Reportable segment assets	<b>7,945,860</b>	3,209,886	3,872,133
Elimination of inter-segment receivables	<b>(899)</b>	(900)	(900)
Total assets	<b>7,944,961</b>	3,208,986	3,871,233
<b>Liabilities</b>			
Reportable segment liabilities	<b>1,011,548</b>	141,917	131,484
Elimination of inter-segment payables	<b>(82,410)</b>	(75,061)	(79,705)
Total liabilities	<b>929,138</b>	66,856	51,779

**5 TURNOVER**

Turnover represented the total invoiced value of goods supplied to customers and completed property units delivered to buyers. The amount of each significant category of revenue recognised in turnover is as follows:

	Six months ended 31 December		Year ended 30 June
	2010	2009	2010
	(unaudited) RMB'000	(unaudited) RMB'000	(audited) RMB'000
Sales of oranges	<b>525,724</b>	384,784	777,665
Sales of self-bred saplings	<b>2,705</b>	4,028	7,056
Sales of processed fruits	<b>69,410</b>	–	–
Sales of property units	<b>26,198</b>	9,460	27,761
	<b>624,037</b>	398,272	812,482



## Notes to the Interim Financial Information

**6 OTHER INCOME**

	Six months ended 31 December		Year ended 30 June
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
Interest income	2,290	668	1,845
Reversal of impairment loss on interest in an associate	1,703	–	–
Sundry income	208	–	–
	<b>4,201</b>	668	1,845

**7 PROFIT BEFORE INCOME TAX**

Profit before income tax is stated after charging/(crediting) the following:

	Note	Six months ended 31 December		Year ended 30 June
		2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
Staff costs (including directors' emoluments)				
– salaries, wages and other benefits		36,429	26,956	45,632
– share-based payments		19,542	4,285	10,363
– employee retirement benefits		446	287	631
		<b>56,417</b>	31,528	56,626
Amortisation of land use rights	12	632	617	1,244
Amortisation of intangible assets	15	1,651	1,200	2,400
Auditor's remuneration		650	612	1,319
Cost of agricultural produce sold <sup>#</sup>		285,748	212,952	321,506
Cost of property units sold		13,742	5,926	20,337
Cost of inventories of processed fruits recognised as expenses		48,700	–	–
Depreciation of property, plant and equipment	11	38,887	33,677	68,492
Add: Realisation of depreciation previously capitalised as biological assets		12,746	8,021	8,021
Less: Amount capitalised as biological assets		(1,891)	–	(13,332)
		<b>49,742</b>	41,698	63,181
Exchange losses, net		1,218	1,073	1,277
Operating lease expenses				
– plantation base		4,378	4,634	7,410
– properties		1,525	399	775
Research and development costs		4,753	2,323	5,795
Write off of property, plant and equipment		71	–	–

<sup>#</sup> Cost of agricultural produce sold includes RMB73,097,000 (six months ended 31 December 2009: RMB59,686,000, year ended 30 June 2010: RMB87,205,000) relating to staff costs, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

## Notes to the Interim Financial Information

**8 INCOME TAX EXPENSE**

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

	Six months ended 31 December		Year ended 30 June
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
PRC enterprise income tax			
– provision for the period/year	<b>983</b>	355	1,041
Land appreciation tax			
– provision for the period/year	<b>802</b>	293	813
	<b>1,785</b>	648	1,854

- (i) Pursuant to the rules and regulations of Bermuda and the BVI, the Group is not subject to any income tax in Bermuda and BVI.
- (ii) No Hong Kong profits tax has been provided as the Group did not have assessable profit arising in or derived from Hong Kong.
- (iii) The provision for PRC enterprise 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.

According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such business. Certain operating subsidiaries of the Group in the PRC engaged in qualifying agricultural business are entitled to full exemption of enterprise income tax.

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

- (iv) Land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenses including costs for land use rights and all property development expenses.

## Notes to the Interim Financial Information

**8 INCOME TAX EXPENSE** (Continued)**(a)** (Continued)

## (v) PRC withholding income tax

Under the PRC tax law, profits of the Group's subsidiaries in the PRC derived since 1 January 2008 is subject to withholding income tax at rates of 5% or 10% upon the distribution of such profits to foreign investors or companies incorporated in Hong Kong, or for other foreign investors, respectively. Pursuant to the grandfathering arrangements of the PRC tax law, dividends receivable by the Group from its PRC subsidiaries in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax. As at 31 December 2010, no deferred tax liabilities have been recognised in respect of the tax that would be payable on the unremitted profits of the PRC subsidiaries derived since 1 January 2008 profits as the Company is in a position to control the dividend policy of the PRC subsidiaries and no distribution of such profits is expected to be declared from the PRC subsidiaries in the foreseeable future.

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

	Six months ended 31 December		Year ended
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
Profit before income tax	526,446	248,123	587,321
Notional tax at the rates applicable to profits in the jurisdictions concerned	138,937	69,588	156,586
Tax effect of non-deductible expenses	57	55	280
Tax effect of non-taxable revenue	(137,361)	(69,951)	(157,610)
Tax effect of temporary differences not recognised for deferred tax purpose	338	679	1,576
Land appreciation tax	802	293	813
Others	(988)	(16)	209
Actual tax expense	1,785	648	1,854

## Notes to the Interim Financial Information

## 9 DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

	Directors' fees RMB'000	Salaries, allowance and benefits in kinds RMB'000	Share-based payments RMB'000	Retirement scheme contributions RMB'000	Six months ended 31 December		Year ended 30 June 2010
					2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	(audited) RMB'000
<b>Directors' remunerations</b>							
Executive Directors							
Tong Wang Chow	–	648	622	–	1,270	899	1,926
Tong Hung Wai, Tommy	–	380	480	5	865	483	1,074
Cheung Wai Sun	–	297	477	5	779	394	887
Pang Yi	–	378	2,073	3	2,454	626	1,585
Sung Chi Keung	–	432	1,268	5	1,705	663	1,539
Non-executive Directors							
Ip Chi Ming	270	–	283	–	553	270	587
Ma Chiu Cheung, Andrew	164	–	283	–	447	166	381
Lui Ming Wah	108	–	283	–	391	108	263
Yang Zhen Han	108	–	283	–	391	108	263
Nicholas Smith	164	–	283	–	447	166	381
Peregrine Moncreiffe	108	–	283	–	391	108	263
	922	2,135	6,618	18	9,693	3,991	9,149

**Individual with highest emoluments**

The five highest paid individuals of the Group during the period/year included 4 directors, details of whose emoluments are set out above. The emoluments in respect of the remaining highest paid individual are as follows:

	Six months ended 31 December		Year ended 30 June 2010
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	(audited) RMB'000
Salaries, wages and other benefits	448	448	972
Share-based payments	359	134	283
Employee retirement benefits	5	5	11
	812	587	1,266

## Notes to the Interim Financial Information

**10 EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 31 December		Year ended 30 June
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
<b>Earnings</b>			
Profit attributable to shareholders used in basic and diluted earnings per share calculation	<b>523,351</b>	247,475	585,467
<b>Weighted average number of shares</b>	<b>'000</b>	'000	'000
Issued ordinary shares at beginning of period/year	<b>852,650</b>	770,560	770,560
Effect of shares issued to shareholders participating in the scrip dividend	<b>38</b>	43	3,981
Effect of shares issued upon exercise of share options	<b>8,308</b>	173	2,881
Effect of shares issued as part of the consideration for acquisition of subsidiaries	<b>28,549</b>	–	–
Effect of shares issued upon placement	<b>3,804</b>	–	13,227
Weighted average number of ordinary shares used in basic earnings per share calculation	<b>893,349</b>	770,776	790,649
Effect of dilutive potential shares in respect of share options	<b>3,690</b>	6,514	5,673
Weighted average number of ordinary shares used in diluted earnings per share calculation	<b>897,039</b>	777,290	796,322

## Notes to the Interim Financial Information

## 11 PROPERTY, PLANT AND EQUIPMENT

	Buildings <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Farmland infrastructure and machinery <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>							
At 1 July 2009 (audited)	14,186	3,062	–	3,649	6,010	1,261,340	1,288,247
Additions	–	–	–	640	224	834	1,698
Transfer from construction-in-progress (Note 13)	24,798	–	–	4,198	–	119,519	148,515
Disposals	–	–	–	(8)	–	(4,603)	(4,611)
At 30 June 2010 (audited)	38,984	3,062	–	8,479	6,234	1,377,090	1,433,849
Additions	–	–	162	432	1,136	608	2,338
Acquisition of subsidiaries (Note 25(b))	117,800	–	193,151	1,206	3,735	–	315,892
Transfer from construction-in-progress (Note 13)	–	–	–	153	–	38,365	38,518
Disposals	–	–	–	(12)	–	(37)	(49)
Write off	–	–	(71)	–	–	–	(71)
At 31 December 2010 (unaudited)	156,784	3,062	193,242	10,258	11,105	1,416,026	1,790,477
<b>Accumulated depreciation</b>							
At 1 July 2009 (audited)	2,145	665	–	1,733	1,908	198,038	204,489
Charge for the year	1,089	94	–	840	583	65,886	68,492
Written back on disposals	–	–	–	(8)	–	(561)	(569)
At 30 June 2010 (audited)	3,234	759	–	2,565	2,491	263,363	272,412
Charge for the period	1,322	47	2,269	544	458	34,247	38,887
Written back on disposal	–	–	–	(12)	–	(37)	(49)
At 31 December 2010 (unaudited)	4,556	806	2,269	3,097	2,949	297,573	311,250
<b>Carrying amount</b>							
At 31 December 2010 (unaudited)	152,228	2,256	190,973	7,161	8,156	1,118,453	1,479,227
At 31 December 2009 (unaudited)	36,401	2,350	–	6,607	3,850	1,099,056	1,147,724
At 30 June 2010 (audited)	35,750	2,303	–	5,914	3,743	1,113,727	1,161,437

## Notes to the Interim Financial Information

## 12 LAND USE RIGHTS

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
<b>Cost</b>			
At beginning of period/year	61,653	61,653	61,653
Acquisition of subsidiaries (Note 25(b))	16,360	–	–
At end of period/year	78,013	61,653	61,653
<b>Accumulated amortisation</b>			
At beginning of period/year	6,812	5,568	5,568
Charge for the period/year	632	617	1,244
At end of period/year	7,444	6,185	6,812
<b>Carrying amount</b>	<b>70,569</b>	55,468	54,841

Land use rights represent the rights to use certain pieces of land which are located in the PRC, and are valid for a period of 50 years from respective dates of grant and will be expiring in the years from 2053 to 2056.

## 13 CONSTRUCTION-IN-PROGRESS

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
At beginning of period/year	64,328	79,021	79,021
Additions	101,998	36,791	133,822
Acquisition of subsidiaries (Note 25(b))	4,135	–	–
Transfer to property, plant and equipment (Note 11)	(38,518)	(96,484)	(148,515)
At end of period/year	131,943	19,328	64,328

## Notes to the Interim Financial Information

**14 BIOLOGICAL ASSETS**

Biological assets represent orange trees, infant trees and self-bred saplings. The role of the orange trees is to supply oranges through the processes of growth in each production cycle. The infant trees and self-bred saplings are held for transforming into orange trees. The biological assets can be summarised as follows:

	Self-bred saplings <i>RMB'000</i>	Infant trees <i>RMB'000</i>	Orange trees <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2009 (audited)	822	8,203	1,187,638	1,196,663
Additions	3,801	–	–	3,801
Sales of self-bred saplings	(2,261)	–	–	(2,261)
Intra transfer to infant trees	(262)	262	–	–
Intra transfer to orange trees	–	(4,000)	4,000	–
Net increase due to cultivation	–	–	35,583	35,583
Net change in fair value				
– Gain due to price, yield, maturity and cost changes	–	–	350,538	350,538
– Decrease due to replanting programme	–	–	(44,538)	(44,538)
	–	–	306,000	306,000
At 30 June 2010 (audited)	2,100	4,465	1,533,221	1,539,786
Additions	5,150	–	–	5,150
Sales of self-bred saplings	(1,109)	–	–	(1,109)
Intra transfer to infant trees	(697)	697	–	–
Intra transfer to orange trees	–	(4,000)	4,000	–
Net decrease due to harvest	–	–	(86,809)	(86,809)
Net change in fair value				
– Gain due to price, yield, maturity and cost changes	–	–	402,455	402,455
– Decrease due to replanting programme	–	–	(64,251)	(64,251)
	–	–	338,204	338,204
<b>At 31 December 2010 (unaudited)</b>	<b>5,444</b>	<b>1,162</b>	<b>1,788,616</b>	<b>1,795,222</b>

Represented by:

	Self-bred saplings <i>RMB'000</i>	Infant trees <i>RMB'000</i>	Orange trees <i>RMB'000</i>	31 December 2010 (unaudited) Total <i>RMB'000</i>	30 June 2009 (unaudited) Total <i>RMB'000</i>	30 June 2010 (audited) Total <i>RMB'000</i>
Non-current	5,444	1,162	1,785,204	<b>1,791,810</b>	1,306,098	1,449,565
Current	–	–	3,412	<b>3,412</b>	–	90,221
	5,444	1,162	1,788,616	<b>1,795,222</b>	1,306,098	1,539,786



## Notes to the Interim Financial Information

**14 BIOLOGICAL ASSETS** (Continued)

The movements in biological assets can be summarised as follows:

	<b>Self-bred saplings Number</b>	<b>Infant trees Number</b>	<b>Orange trees Number</b>
At 1 July 2009	<b>449,301</b>	1,012,581	1,879,548
Additions	<b>2,167,807</b>	–	–
Sale of self-bred saplings	<b>(705,608)</b>	–	–
Intra transfer to infant trees	<b>(64,194)</b>	64,194	–
Intra transfer to orange trees	–	(400,000)	400,000
Decrease due to replanting programme	–	–	(64,194)
At 30 June 2010	<b>1,847,306</b>	676,775	2,215,354
Additions	<b>435,647</b>	–	–
Sales of self-bred saplings	<b>(270,479)</b>	–	–
Intra transfer to infant trees	<b>(120,760)</b>	120,760	–
Intra transfer to orange trees	–	(400,000)	400,000
At 31 December 2010	<b>1,891,714</b>	397,535	2,615,354

The replanting programme replaces existing species with more advanced and better quality species that have greater resistance to disease and produce a higher yield. Subsequent to 31 December 2010, 63,584 winter orange trees have been identified to be removed and the corresponding land area will be replanted with the same number of new species.

The infant trees and self-bred saplings are undergoing biological transformation leading to them being able to produce oranges. Once the infant trees and self-bred saplings become mature and productive, they will be transferred to the category of orange trees.

The Valuation Methodology used to determine the fair value of orange trees less costs to sell is in compliance with both IAS 41, Agriculture, and the International Valuation Standards issued by the International Valuation Standards Council which aims to determine the fair value of a biological asset in its present location and condition.

The fair value of orange trees less costs to sell is calculated by deducting the fair value of plantation-related machinery and equipment and land improvements from the fair value of the orange tree operation. In estimating the fair value of the orange trees, the following key assumptions were applied:

- a) The market price variables, which represent the assumed market price for summer oranges and winter oranges produced by the Group. The valuation adopted the market sales prices prevailing as of the end of the reporting period for each type of orange produced by the Group as the sales price estimation. This estimation is in real terms without considering inflationary effect and planned future business activity that may impact the future prices of oranges from the Group's plantations.

## Notes to the Interim Financial Information

### 14 BIOLOGICAL ASSETS (Continued)

- b) The yield per tree variables, which represent the harvest level of the orange trees. The yield of orange trees is affected by the age, species and health of the orange trees, as well as the climate, location, soil condition, topography and infrastructure. In general, yield per tree increases from age 3 to 8, remains stable for about 22 years, and then decreases until age 35.
- c) The direct production cost variables, which represent the direct costs necessary to bring the oranges to their sale form. These mainly include raw material costs and direct labour costs. The direct production cost variables are determined by reference to actual costs incurred for areas that have been previously harvested and cost information for comparable areas with regards to areas that have not been harvested previously.
- d) The Capital Asset Pricing Model has been used to determine a discount rate of 19.8% (six months ended 31 December 2009: 20.1%, 30 June 2010: 19.8%) to be applied to the orange tree operations.
- e) Other key assumptions which have taken into account in valuing the Group's biological assets includes, among other things,
  - i) cash flows are calculated from the current rotation of orange trees only, without taking into account the projected revenue or costs related to the re-establishment of new orange trees;
  - ii) projected cash flows have not taken into account finance costs and taxation and were adopted based on real terms without considering inflationary effect;
  - iii) as discounted cash flows are based on current orange prices, planned future business activities that may impact the future prices of oranges harvested from the Group's plantations are not considered; and
  - iv) no allowance is made for cost improvements in future operations.

The land currently occupied by the Group is leased from third parties, and has no commercial value. With reference to the value of machinery and equipment and other assets (represented by improvements in structures and buildings, wind breakers, etc.), the total values of the assets involved as at 31 December 2010 for Hepu plantation and Xinfeng plantation are approximately RMB286 million (six months ended 31 December 2009: RMB378 million, 30 June 2010: RMB302 million) and RMB500 million (six months ended 31 December 2009: RMB303 million, 30 June 2010: RMB392 million) respectively.

## Notes to the Interim Financial Information

**14 BIOLOGICAL ASSETS** (Continued)

e) (Continued)

The quantity and value, measured at fair value less costs to sell, of agricultural produce harvested during the period/year were as follows:

	Six months ended 31 December				Year ended 30 June	
	2010		2009		2010	
	Quantity Tonnes	Value RMB'000	Quantity Tonnes	Value RMB'000	Quantity Tonnes	Value RMB'000
Oranges	<b>143,698</b>	<b>524,430</b>	114,530	382,494	186,938	774,897

The Group is exposed to a number of risks related to its orange plantations:

## 1) Regulatory and environmental risks

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

## 2) Supply and demand risks

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

## 3) Climate and other risks

The Group's orange plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys. The Group also insures itself against natural disasters such as floods and tropical storms.

## Notes to the Interim Financial Information

## 15 INTANGIBLE ASSETS

	Deferred developments costs <i>RMB'000</i>	Trademark <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Cost</b>			
At 1 July 2009 (audited)	43,500	–	43,500
Additions	8,500	–	8,500
At 30 June 2010 (audited)	52,000	–	52,000
Additions	2,000	–	2,000
Acquisition of subsidiaries ( <i>Note 25(b)</i> )	15,446	3	15,449
At 31 December 2010 (unaudited)	69,446	3	69,449
<b>Accumulated amortisation</b>			
At 1 July 2010 (audited)	12,800	–	12,800
Charge for the year	2,400	–	2,400
At 30 June 2010 (audited)	15,200	–	15,200
Charge for the period	1,651	–	1,651
At 31 December 2010 (unaudited)	16,851	–	16,851
<b>Carrying amount</b>			
At 31 December 2010 (unaudited)	52,595	3	52,598
At 31 December 2009 (unaudited)	31,500	–	31,500
At 30 June 2010 (audited)	36,800	–	36,800

The amortization charge for the period/year included RMB168,000 (six months ended 31 December 2009: RMBnil, year ended 30 June 2010: RMBnil) and RMB1,483,000 (six months ended 31 December 2009: RMB1,200,000, year ended 30 June 2010: RMB2,400,000) in "general and administrative expenses" and "cost of sales" respectively in the condensed consolidated income statement.

## Notes to the Interim Financial Information

## 15 INTANGIBLE ASSETS (Continued)

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Deferred development costs are represented by:			
Incomplete development projects	15,000	23,500	30,000
Completed development projects	37,595	8,000	6,800
	52,595	31,500	36,800
	Years	Years	Years
Average remaining amortisation period for completed development projects	5.6	3.3	2.8

Deferred development costs represent expenditure incurred in developing techniques relating to the cultivation of orange trees and processing of fruits, which will increase the productivity of the biological assets in future periods.

## 16 INTEREST IN AN ASSOCIATE

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Share of net liabilities	(2,818)	(2,818)	(2,818)
Due from an associate	3,011	4,714	4,714
	193	1,896	1,896
Impairment loss	(193)	(1,896)	(1,896)
	-	-	-

The amount due from an associate is unsecured, interest free and not repayable within next 12 months. The advances to that associate were primarily for the funding of operations.

During the period, a portion of the amount due from an associate was recovered by transferring property, plant and equipment at carrying amount of RMB1,703,000 from that associate to the Group. As a result of this assets transfer, an impairment loss on interest in an associate of RMB1,703,000 was written back to profit and loss.

## Notes to the Interim Financial Information

**16 INTEREST IN AN ASSOCIATE** (Continued)

Details of the associate as at 31 December 2010 are as follows:

Name	Place of incorporation/ establishment	Percentage of equity interest attributable to the Group <i>Indirect</i>	Principal activities
Asian Fruits Limited	BVI	46%	Dormant

Summarised financial information in respect of the Group's associate is set out below:

	31 December 2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	30 June 2010 (audited) RMB'000
Total assets	8	3,596	3,527
Total liabilities	(8,160)	(10,129)	(10,241)

	Six months ended 31 December 2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	Year ended 30 June 2010 (audited) RMB'000
Revenue	–	–	–
Loss for the period/year	(2,620)	(406)	(585)

## Notes to the Interim Financial Information

## 17 DEPOSITS

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Deposits paid for acquisition of property, plant and equipment and land use rights	<b>161,888</b>	–	–

## 18 PROPERTIES FOR SALE

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Properties under development for sale	<b>4,581</b>	2,176	4,062
Completed properties for sale	<b>699</b>	26,153	14,435
	<b>5,280</b>	28,329	18,497

The analysis of carrying value of land use rights included in the properties for sale is as follows:

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
In PRC, held on leases between 10 to 50 years	<b>134</b>	5,068	2,746

The amount of properties for sale expected to be recovered after more than one year is RMB4,581,000 (31 December 2009: RMB2,176,000, 30 June 2010: RMB4,062,000). The remaining properties for sale are expected to be recovered within one year.

## Notes to the Interim Financial Information

## 19 INVENTORIES

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Raw materials	5,490	672	841
Work in progress	915	–	–
Finished goods	14,041	–	–
	<b>20,446</b>	<b>672</b>	<b>841</b>

## 20 TRADE AND OTHER RECEIVABLES

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Trade receivables	58,155	28,456	2,515
Other receivables, deposits and prepayments	82,933	16,546	17,114
	<b>141,088</b>	<b>45,002</b>	<b>19,629</b>

The amount of the Group's other receivables, deposits and prepayments expected to be recovered or recognised as an expense in normal operating cycle after more than one year is RMB18,007,000 (31 December 2009: RMB12,484,000, 30 June 2010: RMB11,092,000). All of the other trade and other receivables are expected to be recovered or recognised as an expense within one year.

Trade receivables at the end of the reporting period are from the sales of agricultural produce and processed fruit are normally due for settlement within 30 to 45 days from the date of billing, while trade receivables from the sale of property units which are due for settlement in accordance with the terms of the related sale and purchase agreements.



## Notes to the Interim Financial Information

**20 TRADE AND OTHER RECEIVABLES** (Continued)

The ageing analysis of trade receivables is as follows:

	31 December		30 June
	2010 (unaudited) RMB'000	2009 (unaudited) RMB'000	2010 (audited) RMB'000
Neither past due nor impaired	57,972	27,702	1,348
Less than 1 month past due	–	132	116
1 to 3 months past due	–	–	–
3 to 6 months past due	43	–	–
6 to 12 months past due	35	622	506
over 1 year past due	105	–	545
Amounts past due but not impaired	183	754	1,167
	<b>58,155</b>	<b>28,456</b>	<b>2,515</b>

Included in the Group's trade receivables are debtors with an aggregate carrying amount of RMB183,000 (31 December 2009: RMB754,000, 30 June 2010: RMB1,167,000) which are past due at the end of the reporting period and for which the Group has not provided any impairment loss as the Group holds collateral over those balances.

## Notes to the Interim Financial Information

**21 CASH AND CASH EQUIVALENTS**

	<b>31 December</b>		30 June
	<b>2010</b>	2009	2010
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>RMB'000</b>	RMB'000	RMB'000
Short-term bank deposits	<b>181,926</b>	1,350	302,568
Cash at bank and on hand	<b>2,747,513</b>	573,515	672,506
	<b>2,929,439</b>	574,865	975,074

Included in the cash and cash equivalents of the Group as at 31 December 2010 is an amount of approximately RMB1,382,008,000 (31 December 2009: RMB560,267,000, 30 June 2010: RMB647,750,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for terms ranging from seven days to one month (31 December 2009: one month, 30 June 2010: terms ranging from one week to one month) depending on the immediate cash requirements of the Group.

**22 CAPITAL, RESERVES AND DIVIDENDS****(a) Movements in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

**(b) Dividends**

An interim dividend of RMB0.02 per ordinary share in respect of the six months ended 31 December 2010 (six months ended 31 December 2009: RMBnil) was declared after the end of reporting period. The interim dividend has not been recognised as liability at 31 December 2010.

A final dividend of RMB0.10 and special dividend of RMB0.02 per ordinary share in respect of the year ended 30 June 2010 was paid on 31 December 2010.

## Notes to the Interim Financial Information

**22 CAPITAL, RESERVES AND DIVIDENDS** (Continued)**(c) Share capital**

	Note	Number of shares	HK\$'000	RMB'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 each At 1 July 2009		200,000,000	20,000	20,900
Ordinary shares of HK\$0.01 each At 30 June 2010 and 31 December 2010	(i)	2,000,000,000	20,000	20,900
<b>Issued and fully paid:</b>				
At 30 June 2009 (audited)		77,055,980	7,705	8,028
Effect of subdivision of shares	(i)	693,503,820	–	–
Issue of shares to shareholders participating in the scrip dividend		7,984,294	80	72
Issue of shares upon exercise of share options		6,106,000	61	55
Issue of shares on placement		68,000,000	680	612
At 30 June 2010 (audited)		852,650,094	8,526	8,767
Issue of shares upon exercise of share options	(ii)	14,479,000	145	130
Issue of shares on placement	(iii)	175,000,000	1,750	1,575
Issue of consideration shares	(iv)	164,153,646	1,641	1,478
Issue of shares to shareholders participating in the scrip dividend	(v)	7,053,638	71	63
At 30 December 2010 (unaudited)		1,213,336,378	12,133	12,013

## Notes to the Interim Financial Information

**22 CAPITAL, RESERVES AND DIVIDENDS** *(Continued)***(c) Share capital** *(Continued)*

Notes:

- (i) Pursuant to a resolution of the shareholders passed on 2 November 2009, the Company's issued and unissued shares of HK\$0.10 each were subdivided into ten shares of HK\$0.01 each. Following this share subdivision, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each, of which 770,559,800 shares were in issued and fully paid. The shares after the share subdivision rank pari passu in all respects with each other.
- (ii) On 16 July 2010, 450,000, 720,000 and 240,000 new ordinary shares of HK\$0.01 each were issued at an exercise price of £0.1120, £0.2045 and £0.1390 per share respectively upon exercise of a total of 1,410,000 share options.  
  
On 11 August 2010, 295,000 and 406,000 new ordinary shares of HK\$0.01 each were issued at an exercise price of £0.1120 and £0.2045 per share respectively upon exercise of a total of 701,000 share options.  
  
On 30 August 2010, 560,000, 3,150,000, 1,420,000 and 1,430,000 new ordinary shares of HK\$0.01 each were issued at an exercise price of £0.1120, £0.2045, £0.2425 and £0.1390 per share respectively upon exercise of a total of 6,560,000 share options.  
  
On 27 October 2010, 450,000, 756,000, 560,000 and 4,042,000 new ordinary shares of HK\$0.01 each were issued at an exercise price of £0.1120, £0.2045, £0.2425 and £0.1390 per share respectively upon exercise of a total of 5,808,000 share options.
- (iii) On 30 November 2010, the Company issued 164,153,646 new ordinary shares of HK\$0.01 each at a price of HK\$7.68 per share in connection with the acquisition of BPG group (see Note 25(a)).
- (iv) On 28 December 2010, the Company issued a total of 175,000,000 new ordinary shares of HK\$0.01 each under a placing agreement to eight independent third parties at a price of HK\$8.88 per share. The proceeds from this share placing, net of the related expenses borne by the Company, of approximately RMB1,284,878,000 are to be used for financing the acquisition of BPG Food & Beverage, and the expansion as well as the additional working capital requirement for BPG Food & Beverage and its subsidiaries. Further details of this share placing are set out in the Company's circular dated 3 December 2010.
- (v) On 31 December 2010, 7,053,638 new ordinary shares of HK\$0.01 each were issued at the price of HK\$9.878 per share to shareholders participating in the scrip dividend.
- (vi) The ordinary shares issued during the period rank pari passu in all respects with the ordinary shares already in issue.

**(d) Capital management**

The Group manages its capital to ensure that the Group has sufficient liquidity to support the operation and development while maximising the value of shareholders. The Group's overall strategy remains unchanged from the prior year.

The Group's major internal cash resource is its cash and cash equivalents. The Group did not have any outstanding bank borrowings as at 31 December 2010 and 30 June 2010.

Management of the Group reviews its capital structure periodically by assessing budgets of major projects taking into account the provision of funding. The Group is not subject to externally imposed capital requirements.

## Notes to the Interim Financial Information

## 23 TRADE AND OTHER PAYABLES

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Trade payables	12,188	16,154	19,478
Other payables and accruals	916,778	45,029	24,913
	<b>928,966</b>	61,183	44,391

Included in other payables and accruals as at 31 December 2010 are cash consideration payable of HK\$780,000,000 (equivalent to RMB666,510,000) in respect of the acquisition of BPG Food & Beverage (see note 25), and the amount of RMB211,593,000 payable on demand to Sunshine Hero Limited, a former shareholder of BPG Food & Beverage, holding approximately 9.62% of the Company's total issued share capital as at 31 December 2010. These two balances are unsecured and interest-free.

The rest of the trade and other payables are expected to be settled within one year or are repayable on demand.

The ageing analysis of trade payables, including amounts due to related parties, by due date is as follows:

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Due within 3 months or on demand	11,612	19,999	26,442
Due after 3 months but within 6 months	413	1,405	51
Due after 6 months but within 1 year	104	–	95
Due over 1 year	59	–	–
	<b>12,188</b>	21,404	26,588
Represented by:			
Trade payables	12,188	16,154	19,478
Amounts due to related parties	–	5,250	7,110
	<b>12,188</b>	21,404	26,588

## Notes to the Interim Financial Information

**24 COMMITMENTS****(a) Operating lease commitments**

At 31 December 2010, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Within 1 year	8,109	6,609	7,786
After 1 year but within 5 years	25,304	24,663	25,300
After 5 years	359,039	302,324	302,180
	<b>359,452</b>	<b>333,596</b>	<b>335,266</b>

Operating lease payments represent rental payable by the Group for certain of properties and land on which the plantations are situated. The leases of properties run for an initial period of one to ten years, with options to renew the leases and renegotiate the terms at expiry dates or at dates mutually agreed with the respective lessors, while the leases of the plantations are negotiated for a term of 50 years expiring from 2050 to 2060. None of the leases include contingent rentals.

**(b) Capital and other commitments**

At 31 December 2010, the Group had the following capital and other commitments:

	31 December		30 June
	2010	2009	2010
	(unaudited)	(unaudited)	(audited)
	RMB'000	RMB'000	RMB'000
Contracted but not provided for			
Construction-in-progress, property, plant and equipment and land use rights	132,551	23,559	84,466
Research and development	4,600	13,100	6,600
	<b>137,151</b>	<b>36,659</b>	<b>91,066</b>

## Notes to the Interim Financial Information

**25 ACQUISITION OF SUBSIDIARIES**

On 30 November 2010, the Company completed the acquisition of the entire issued share capital of BPG Food & Beverage which, through its wholly-owned subsidiaries, holds a total of 92.94% indirect equity interest in Beihai BPG. Beihai BPG, together with its subsidiaries, is principally engaged in manufacture and sale of fruits juice concentrates, fruit purees, frozen fruits and vegetables in the PRC. Details of this acquisition are set out in the Company's circular dated 1 November 2010.

**(a) Consideration transferred**

	<i>HK\$'000</i>	<i>Equivalent to RMB'000</i>
Cash consideration payable included in other payables (note 23)	780,000	666,510
Fair value of 164,153,646 ordinary shares issued	1,526,629	1,304,504
	<u>2,306,629</u>	<u>1,971,014</u>

Cash consideration of HK\$780,000,000 (equivalent to RMB666,510,000) was settled in January 2011.

The fair value of 164,153,646 ordinary shares issued as part of the consideration was determined based on the published share price available on 30 November 2010.

Acquisition-related costs amounting to RMB2,129,000 have been excluded from the cost of acquisition and have been recognised as an expense, within the general and administrative expenses in the condensed consolidated income statement.

## Notes to the Interim Financial Information

**25 ACQUISITION OF SUBSIDIARIES** (Continued)

- (b) The fair value of the identifiable assets and liabilities arising from the acquisition as at the date of acquisition is as follows:

	Fair value RMB'000
<b>Non-current assets</b>	
Property, plant and equipment (note 11)	315,892
Land use rights (note 12)	16,360
Construction-in-progress (note 13)	4,135
Intangible assets (note 15)	15,449
Deposits	140,350
<b>Current assets</b>	
Inventories	21,587
Trade and other receivables	111,759
Cash and cash equivalents	505,427
<b>Current liabilities</b>	
Trade and other payables	(239,396)
	891,563

**(c) Non-controlling interest**

The non-controlling interest (7.06%) in certain subsidiaries of BPG Food & Beverage recognised at the acquisition date was measured at the non-controlling interest's proportionate share of the referent's net identifiable assets as at the acquisition date.

**(d) Goodwill arising on acquisition**

	RMB'000
Consideration transferred	1,971,014
Non-controlling interest	77,810
Less: fair value of net identifiable net assets acquired	(891,563)
	1,157,261

The goodwill arising on this acquisition is attributable to the expected earnings growth of BPG group and synergies expected to be achieved as a result of combining BPG group with the rest of the Group, and is not expected to be deductible for tax purposes.



## Notes to the Interim Financial Information

**25 ACQUISITION OF SUBSIDIARIES** (Continued)**(e) Cash inflow arising on acquisition**

	<i>RMB'000</i>
Cash and cash equivalent balances acquired	505,427

**(f) Impact of acquisition on the results of the Group**

From the date of acquisition to 31 December 2010, the BPG group contributed RMB69,410,000 to turnover and RMB18,031,000 to profit for the period.

Had this acquisition been effected on 1 July 2010, the BPG group would have contributed RMB426,237,000 to turnover and RMB125,463,000 to profit for the period. This pro-forma information is for illustration purposes and should not be viewed as an indication of the results of operations that actually would have occurred if the acquisition had been completed on 1 July 2010.

**26 RELATED PARTY TRANSACTIONS**

**(a)** In addition to those disclosed elsewhere in the interim financial information, the Group had the following significant related party transactions during the period/year:

	<b>Six months ended</b>		Year ended
	<b>31 December</b>		30 June
	<b>2010</b>	2009	2010
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>RMB'000</b>	RMB'000	RMB'000
Purchases of organic fertilisers from:			
Fujian Zhangzhou Chaoda Microbe Organic Fertiliser Company Limited ("Zhangzhou Chaoda")	<b>6,900</b>	17,550	29,388
Weizhou Chaoda Microbe Organic Fertiliser Company Limited ("Weizhou Chaoda")	<b>10,800</b>	7,875	18,042
	<b>17,700</b>	25,425	47,430
Operating lease expenses paid to:			
Alpha Best Limited	<b>112</b>	254	507
Pan Air and Sea Forwarders (HK) Limited	<b>157</b>	–	–
	<b>269</b>	254	507

Zhangzhou Chaoda and Weizhou Chaoda are related parties of the Group by virtue of Mr. Kwok Ho's interests. The entire registered capital of Zhangzhou Chaoda and Weizhou Chaoda is indirectly held by Mr. Kwok Ho, a director of Lucky Team (Hepu) and a substantial shareholder in Chaoda Modern Agriculture (Holdings) Limited ("Chaoda"). Chaoda is in turn the holding company of Huge Market, a substantial shareholder of the Company. The purchases from Zhangzhou Chaoda and Weizhou Chaoda were charged at prices and terms comparable with those charged to and contracted with independent third parties.

## Notes to the Interim Financial Information

**26 RELATED PARTY TRANSACTIONS****(a)** *(Continued)*

Alpha Best Limited and Pan Air and Sea Forwarders (HK) Limited are related to the Group by virtue of Mr. Tong Wang Chow's equity interest in these two companies.

**(b)** At 31 December 2010, the Group had the following amounts due to related parties, which were trade in nature:

	<b>31 December</b>		30 June
	<b>2010</b>	2009	2010
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>RMB'000</b>	RMB'000	RMB'000
Weizhou Chaoda	-	5,250	-
ZhangZhou Chaoda	-	-	7,110
	-	5,250	7,110

**(c)** Remuneration of key management personnel

	<b>Six months ended</b>		Year ended
	<b>31 December</b>		30 June
	<b>2010</b>	2009	2010
	<b>(unaudited)</b>	(unaudited)	(audited)
	<b>RMB'000</b>	RMB'000	RMB'000
Short-term employee benefits	<b>3,925</b>	3,716	8,333
Share-based payments	<b>9,803</b>	1,516	4,462
Post-employment benefits	<b>37</b>	30	69
	<b>13,765</b>	5,262	12,864

**27 EVENTS AFTER THE END OF THE INTERIM PERIOD**

Except as disclosed elsewhere in the interim financial information, there was no significant event after the reporting date.

**28 COMPARATIVE FIGURES**

Certain expenses for the six-month period ended 31 December 2010 have been classified according to the function rather than the nature as in previous reporting periods. The Group's management considers this revised presentation more appropriately reflects the results of the Group's expanded operations. In order to conform to the current period's presentation, certain comparative figures for prior reporting periods have been reclassified.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2010, except for the issue of 14,479,000 ordinary shares under the Share Option Scheme, the issue of 7,053,638 ordinary shares to shareholders participating in the scrip dividend scheme and the placing of 175,000,000 ordinary shares to investors in December 2010 as set out below:

### ***Fund Raising Activity***

For the purpose of strengthening the shareholder base and capital base for further expansion and growth, the Group completed the following fund raising activity during the period under review. The Company issued 175,000,000 ordinary shares to eight placeses who and whose ultimate beneficial owners are independent third parties under a placing agreement with net proceeds of approximately HK\$1,510 million which is intended to be used for (i) paying the cash consideration of HK\$780 million in relation to the acquisition of the entire issued share capital of BPG Food & Beverage Holdings Ltd.; (ii) financing the expansion of the production capacity of BPG Food & Beverage Holdings Ltd.; and (iii) financing the corresponding additional working capital requirement for BPG Food & Beverage Holdings Ltd. due to the expansion of its production capacity, further details of which are stated in the Company's circular dated 3 December 2010.

## Directors' and Chief Executives's Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

### DIRECTORS' AND CHIEF EXECUTIVES'S INTERESTS IN SHARES AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests or short positions of the Directors and the chief executive of the Company 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, Cap. 571 of the Laws of Hong Kong ("SFO")) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were notified to the Company and the HKEx, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Name	Class of shares	Personal interests	Family interests	Corporate interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
Tong Wang Chow	Ordinary shares/ Share options	–	–	275,069,919 (Note 1)	3,850,000 (Note 2)	278,919,919	22.99%
Tong Hung Wai Tommy	Share options	–	–	–	1,900,000 (Note 3)	1,900,000	0.16%
Cheung Wai Sun	Share options	–	–	–	1,320,000 (Note 4)	1,320,000	0.11%
Pang Yi	Ordinary shares/ Share options	317,000	–	–	5,740,000 (Note 5)	6,057,000	0.50%
Sung Chi Keung	Ordinary shares/ Share options	520,000	–	–	4,560,000 (Note 6)	5,080,000	0.42%
Nicholas Smith	Ordinary shares/ Share options	755,051 (Note 7)	–	–	500,000 (Note 8)	1,255,051	0.10%
Ip Chi Ming	Share options	–	–	–	500,000 (Note 9)	500,000	0.04%
Peregine Moncreiffe	Ordinary shares/ Share options	50,000	–	–	500,000 (Note 10)	550,000	0.05%
Lui Ming Wah	Share options	–	–	–	500,000 (Note 11)	500,000	0.04%
Yang Zhen Han	Share options	–	–	–	500,000 (Note 12)	500,000	0.04%
Ma Chiu Cheung Andrew	Share options	–	–	–	500,000 (Note 13)	500,000	0.04%

## Directors' and Chief Executives' Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

*Notes:*

- (1) The 275,069,919 shares were held by Market Ahead Investments Limited ("Market Ahead"), the issued share capital of which is beneficially owned by the following persons:

Mr. Tong Wang Chow	76%
Mr. Tong Hung Wai Tommy	6%
Mrs. Tong Lee Fung Kiu	6%
Ms. Tong Mei Lin	6%
Mr. Lee Kun Chung	6%

Mr. Tong Wang Chow is deemed to be interested in 275,069,919 shares held by Market Ahead by virtue of the SFO. Mr. Tong Wang Chow is also a director of Market Ahead.

- (2) 1,500,000 shares would be allotted and issued to Mr. Tong Wang Chow upon the exercise in full of the share options granted to Mr. Tong Wang Chow under the share option scheme of the Company adopted by the shareholders on 29 June 2005 and terminated upon the commencement of dealings of the shares on the HKEx on 26 November 2009 (the "Share Option Scheme"). These share options, all of which remained exercisable as at the 31 December 2010, were exercisable at the subscription price of £0.2045 per share during the period from 27 July 2007 to 26 July 2014.

1,500,000 shares would be allotted and issued to Mr. Tong Wang Chow upon the exercise in full of the share options granted to Mr. Tong Wang Chow under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.139 per share during the period from 15 October 2009 to 2 August 2015.

850,000 shares would be allotted and issued to Mr. Tong Wang Chow upon the exercise in full of the share options to Mr. Tong Wang Chow under the share option scheme of the Company conditionally adopted by the shareholders on 2 November 2009 and became effective upon the commencement of dealings of the shares on the HKEx on 26 November 2009 (the "Post Listing Share Option Scheme"). These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.

- (3) 550,000 shares would be allotted and issued to Mr. Tong Hung Wai Tommy upon the exercise in full of the share options granted to Mr. Tong Hung Wai Tommy under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.2045 per share during the period from 27 July 2007 to 26 July 2014.

600,000 shares would be allotted and issued to Mr. Tong Hung Wai Tommy upon the exercise in full of the share options granted to Mr. Tong Hung Wai Tommy under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.139 per share during the period from 15 October 2009 to 2 August 2015.

750,000 shares would be allotted and issued to Mr. Tong Hung Wai Tommy upon the exercise in full of the share options to Mr. Tong Hung Wai Tommy under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.

- (4) 90,000 shares would be allotted and issued to Mr. Cheung Wai Sun upon the exercise in full of the share options granted to Mr. Cheung Wai Sun under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.2045 per share during the period from 27 July 2007 to 26 July 2014.

480,000 shares would be allotted and issued to Mr. Cheung Wai Sun upon the exercise in full of the share options granted to Mr. Cheung Wai Sun under the Share Option Scheme. These share options, all of which remained exercisable as at the 31 December 2010, were exercisable at the subscription price of £0.139 per share during the period from 15 October 2009 to 2 August 2015.

750,000 shares would be allotted and issued to Mr. Cheung Wai Sun upon the exercise in full of the share options to Mr. Cheung Wai Sun under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.

## Directors' and Chief Executives' Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

- (5) 900,000 shares would be allotted and issued to Mr. Pang Yi upon the exercise in full of the share options granted to Mr. Pang Yi under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.112 per share during the period from 3 August 2006 to 2 August 2015.
- 480,000 shares would be allotted and issued to Mr. Pang Yi upon the exercise in full of the share options granted to Mr. Pang Yi under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.2045 per share during the period from 27 July 2007 to 26 July 2014.
- 960,000 shares would be allotted and issued to Mr. Pang Yi upon the exercise in full of the share options granted to Mr. Pang Yi under the Share Option Scheme. These Share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.139 per share during the period from 15 October 2009 to 2 August 2015.
- 3,400,000 shares would be allotted and issued to Mr. Pang Yi upon the exercise in full of the share options to Mr. Pang Yi under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (6) 600,000 shares would be allotted and issued to Mr. Sung Chi Keung upon the exercise in full of the share options granted to Mr. Sung Chi Keung under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.112 per share during the period from 3 August 2006 to 2 August 2015.
- 1,000,000 shares would be allotted and issued to Mr. Sung Chi Keung upon the exercise in full of the share options granted to Mr. Sung Chi Keung under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.2045 per share during the period from 27 July 2007 to 26 July 2014.
- 960,000 shares would be allotted and issued to Mr. Sung Chi Keung upon the exercise in full of the share options granted to Mr. Sung Chi Keung under the Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of £0.139 per share during the period from 15 October 2009 to 2 August 2015.
- 2,000,000 shares would be allotted and issued to Mr. Sung Chi Keung upon the exercise in full of the share options to Mr. Sung Chi Keung under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (7) The 755,051 shares were held as to 323,592 shares by Carey Pensions & Benefits Limited as trustee of InterRetire – Smith Executive Retirement Plan (the "Plan") and as to 431,459 shares by Mr. Nicholas Smith in his own name. As at 31 December 2010, Mr. Nicholas Smith was a direct beneficiary of the Plan and is deemed to have an interest in the shares held by the Plan.
- (8) 500,000 shares would be allotted and issued to Mr. Nicholas Smith upon the exercise in full of the share options to Mr. Nicholas Smith under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (9) 500,000 shares would be allotted and issued to Mr. Ip Chi Ming upon the exercise in full of the share options to Mr. Ip Chi Ming under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (10) 500,000 shares would be allotted and issued to Mr. Peregrine Moncreiffe upon the exercise in full of the share options to Mr. Peregrine Moncreiffe under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (11) 500,000 shares would be allotted and issued to Mr. Lui Ming Wah upon the exercise in full of the share options to Mr. Lui Ming Wah under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.

## Directors' and Chief Executives's Interests in Shares and Short Positions in Shares, Underlying Shares and Debentures

- (12) 500,000 shares would be allotted and issued to Mr. Yang Zhen Han upon the exercise in full of the share options to Mr. Yang Zhen Han under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.
- (13) 500,000 shares would be allotted and issued to Mr. Ma Chiu Cheung Andrew upon the exercise in full of the share options to Mr. Ma Chiu Cheung Andrew under the Post Listing Share Option Scheme. These share options, all of which remained exercisable as at 31 December 2010, were exercisable at the subscription price of HK\$5.68 per share during the period from 27 May 2011 to 26 May 2018.

Save as disclosed above, none of the Directors, the chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2010 as defined in Part XV of SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKEx pursuant to the Model Code.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2010, so far as is known to the Directors, the following persons or companies (other than the Directors and the chief executive) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of shares held	Nature of business	Approximate percentage of the Company's total issued share capital
Market Ahead (Note 1)	275,069,919	Beneficial owner	22.67%
Tong Lee Fung Kiu (Note 1)	275,069,919	Interest of spouse	22.67%
Huge Market Investments Limited ("Huge Market") (Note 2)	163,014,026	Beneficial owner	13.44%
Chaoda Modern Agriculture (Holdings) Limited ("Chaoda") (Note 2)	163,014,026	Interest of controlled corporation	13.44%
Sunshine Hero Limited ("Sunshine Hero") (Note 3)	116,692,681	Beneficial owner	9.62%
Xu Xuefeng (Note 3)	116,692,681	Interest of controlled corporation	9.62%
Maxwell (Mauritius) Pte Ltd (Note 4)	61,126,000	Beneficial owner	5.04%
Cairhill Investments (Mauritius) Pte Ltd (Note 4)	61,126,000	Interest of controlled corporation	5.04%
Fullerton Management Pte Ltd (Note 4)	61,126,000	Interest of controlled corporation	5.04%
Mantaray Investments (Mauritius) Pte Ltd (Note 4)	4,000,000	Beneficial owner	0.33%
Lionfish Investments Pte. Ltd. (Note 4)	4,000,000	Interest of controlled corporation	0.33%
Marina Capital Pte. Ltd. (Note 4)	4,000,000	Interest of controlled corporation	0.33%
Seatown Holdings Pte. Ltd. (Note 4)	4,000,000	Interest of controlled corporation	0.33%
Tembusu Capital Pte Ltd (Note 4)	4,000,000	Interest of controlled corporation	0.33%
Temasek Holdings (Private) Limited (Note 4)	65,126,000	Interest of controlled corporation	5.37%

Note:

- (1) Market Ahead is a company incorporated in the BVI, the issued share capital of which is beneficially owned by the following persons:

Mr. Tong Wang Chow	76%
Mr. Tong Hung Wai Tommy	6%
Mrs. Tong Lee Fung Kiu	6%
Ms. Tong Mei Lin	6%
Mr. Lee Kun Chung	6%

Mr. Tong Wang Chow is deemed to be interested in 275,069,919 shares held by Market Ahead by virtue of the SFO.



## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

Mrs. Tong Lee Fung Kiu is the spouse of Mr. Tong Wang Chow. By virtue of the SFO, Mrs. Tong Lee Fung Kiu is also deemed, as a spouse, to be interested in all the shares in which Mr. Tong Wang Chow is deemed to be interested.

Mr. Tong Wang Chow is also a director of Market Ahead.

- (2) The entire issued share capital of Huge Market is held by Chaoda. Chaoda is deemed to be interested in 163,014,026 shares held by Huge Market by virtue of the SFO.

Mr. Ip Chi Ming is a director of Huge Market and Chaoda.

- (3) Ms. Xu Xuefeng is the sole owner of Sunshine Hero and is deemed to be interested in 116,692,681 shares held by Sunshine Hero by virtue of the SFO.

- (4) These 65,126,000 shares are held in the name of and registered in the capacity of Maxwell (Mauritius) Pte Ltd in its 61,126,000 shares and in the name of and capacity of Mantaray Investments (Mauritius) Pte Ltd in its 4,000,000 shares.

Maxwell (Mauritius) Pte Ltd's entire interest is owned by Cairhill Investments (Mauritius) Pte Ltd, and Fullerton Management Pte Ltd beneficially owns 100% interest in Cairhill Investments (Mauritius) Pte Ltd. Temasek Holdings (Private) Limited owns 100% interest in Fullerton Management Pte Ltd.

Mantaray Investments (Mauritius) Pte Ltd's entire interest is owned by Lionfish Investments Pte. Ltd., and Marina Capital Pte. Ltd. beneficially owns 100% interest in Lionfish Investments Pte. Ltd.. Marina Capital Pte. Ltd.'s entire interest is owned by Seatown Holdings Pte. Ltd., and Tembusu Capital Pte Ltd beneficially owns 100% interest in Seatown Holdings Pte. Ltd.. Temasek Holdings (Private) Limited owns 100% interest in Tembusu Capital Pte Ltd.

Save as disclosed above, the Directors are not aware of any other persons who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## Share Option Scheme and Post Listing Share Option Scheme

A summary of the principal terms of the Share Option Scheme and the Post Listing Share Option Scheme was included in the Company's Listing document dated 23 November 2009 under the section "Appendix IV Statutory and General Information – D. Other Information - 1. Share Option Scheme". Movements of the share options granted under the Share Option Scheme and Post Listing Share Option Scheme during the period ended 31 December 2010 are as follows:

Name or Category of participant	Number of Shares in respect of options				Outstanding as at 31 December 2010	Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
	Balance as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period					
<b>Directors</b>									
Tong Wang Chow	1,500,000	-	-	-	1,500,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	-
	1,500,000	-	-	-	1,500,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	-
	850,000	-	-	-	850,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	-
Tong Hung Wai, Tommy	550,000	-	-	-	550,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	-
	600,000	-	-	-	600,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	-
	750,000	-	-	-	750,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	-
Cheung Wai Sun	180,000	-	90,000	-	90,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	HKD6.06
	480,000	-	-	-	480,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	-
	750,000	-	-	-	750,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	-
Pang Yi	1,350,000	-	450,000	-	900,000	3/8/2005	3/8/2006–2/8/2015	GBP0.112	HKD5.17
	1,200,000	-	720,000	-	480,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	HKD5.17
	1,200,000	-	240,000	-	960,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	HKD5.17
	3,400,000	-	-	-	3,400,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	-
Sung Chi Keung	720,000	-	120,000	-	600,000	3/8/2005	3/8/2006–2/8/2015	GBP0.112	HKD6.06
	1,000,000	-	-	-	1,000,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	-
	960,000	-	-	-	960,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	-
	2,000,000	-	-	-	2,000,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	-

## Share Option Scheme and Post Listing Share Option Scheme

Name or Category of participant	Number of Shares in respect of options				Outstanding as at 31 December 2010	Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
	Balance as at 1 July 2010	Granted during the period	Exercised during the period	Lapsed during the period					
Nicholas Smith	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
Ip Chi Ming	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
Peregrine Moncreiffe	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
Lui Ming Wah	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
Yang Zhen Han	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
Ma Chiu Cheung, Andrew	500,000	–	–	–	500,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
<b>Employees:</b>									
In aggregate	5,610,000	–	1,185,000	–	4,425,000	3/8/2005	3/8/2006–2/8/2015	GBP0.112	HKD7.26
	6,154,000	–	4,222,000	–	1,932,000	27/7/2006	27/7/2007–26/7/2014	GBP0.2045	HKD6.80
	3,530,000	–	1,980,000	–	1,550,000	14/9/2007	14/9/2008–2/8/2015	GBP0.2425	HKD7.11
	18,148,000	–	5,472,000	–	12,676,000	15/10/2008	15/10/2009–2/8/2015	GBP0.139	HKD8.16
	19,250,000	–	–	–	19,250,000	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
	<u>74,682,000</u>	<u>–</u>	<u>14,479,000</u>	<u>–</u>	<u>60,203,000</u>				

Other than as disclosed above, no other share option was granted, cancelled, lapsed or exercised pursuant to the Share Option Scheme and Post Listing Scheme of the Company during the period ended 31 December 2010.

## Code on Corporate Governance Practices

The Directors, where practicable for an organisation of the Group's size and nature, sought to comply with the UK Combined Code. The Combined Code is the key source of corporate governance recommendations for UK listed companies. It consists of principles of good governance covering the following areas:-

1. Directors;
2. Directors' Remuneration;
3. Accountability and Audit;
4. Relations with Shareholders; and
5. Institutional Investors.

In connection with the listing of the Company on the HKEx in November 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 to the Hong Kong Listing Rules as its additional code on corporate governance practices on 17 November 2009. The Company complied with applicable code provisions in the Code throughout the six months ended 31 December 2010, with deviation(s) listed below:

- Code Provision A.2.1.

The roles of Chairman and Chief Executive Officer are performed by the same individual, Mr. Tong Wang Chow, and are not separated. The Board meets regularly to consider issues related to corporate matters affecting operations of the Group. The Board considers the structure will not impair the balance of power and authority of the Board and the Company's management and thus, the Board believes this structure will enable effective planning and implementation of corporate strategies and decisions.

### **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers**

The Company has adopted a code for Directors' dealings appropriate for a company whose shares are admitted to trading on AIM and takes all reasonable steps to ensure compliance by the Directors and any relevant employees. The Company also adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules. The Directors have confirmed, following a specific enquiry by the Company, that they have fully complied with the required standard as set out in the Model Code throughout the period ended 31 December 2010.

### **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee comprises three independent non-executive directors. Mr. Ma Chiu Cheung Andrew acts as Chairman of the committee with Mr. Nicholas Smith and Mr. Yang Zhenhan acting as members. The arrangement of Audit Committee is in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited financial statements for the period ended 31 December 2010.

### **PUBLICATION OF INTERIM REPORT**

The interim report will be published on the respective websites of the Company ([www.asian-citrus.com](http://www.asian-citrus.com)) under the investor relations section and the HKEx ([www.hkex.com.hk](http://www.hkex.com.hk)).

By Order of the Board of  
**Asian Citrus Holdings Limited**  
**Tong Wang Chow**  
Chairman