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天溢果業控股有限公司
Tianyi Fruit Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 00756)

2008
Interim Report

CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

QUALIFIED ACCOUNTANT

Mr. Lam Chat Lun, Paul *C.P.A., F.C.C.A.*

COMPANY SECRETARY

Mr. Lam Chat Lun, Paul *C.P.A., F.C.C.A.*

AUTHORISED REPRESENTATIVES

Mr. San Kwan
Mr. Lam Chat Lun, Paul

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITORS

KPMG

COMPLIANCE ADVISOR

Evolution Watterson Securities Limited

LEGAL ADVISORS

Loong & Yeung, Solicitors

PRINCIPAL BANKERS

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

SHARE REGISTRAR IN HONG KONG

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

SHARE REGISTER AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

COMPANY WEBSITE

www.tianyi.com.hk

FINANCIAL HIGHLIGHTS

	For the six month ended 30 June		
	2008	2007	Change %
	RMB'000	RMB'000	
	(audited)	(unaudited)	
Revenue	**126,408**	124,384	+1.6
Gross profit	**42,983**	34,810	+23.5
Profit for the period	**26,398**	23,369	+13.0
Profit attributable to Shareholders	**23,995**	21,032	+14.1
Earnings per share – Basic (RMB cents)	**3.20**	2.80	+14.3

Tianyi Fruit Holdings Limited's (the "Company") shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 July 2008.

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "Group") for the six month ended 30 June 2008 together with the comparative figures for the corresponding period in 2007.

BUSINESS REVIEW

Our revenue was derived primarily from the sale of frozen concentrated orange juice ("FCOJ") and its related product, fresh oranges, other concentrated fruit juices and dehydrated longans. According to the certificate issued by the China Beverage Industry Association (中國飲料工業協會) on 15 February 2008, we are one of the leading domestic producers in the FCOJ industry in China in terms of production quantity. It was forecasted by the United States Department of Agriculture, Foreign Agriculture Service in its Global Agriculture Information Network Report dated 29 November 2007 that approximately 20,000 tonnes of FCOJ were produced domestically in China in 2007 while we produced approximately 7,222 tonnes of FCOJ in 2007.

The China's FCOJ industry is still relatively small and niche when compared to Brazil and the United States. Currently, China is still relying on imported FCOJ to fulfil its supply shortfall. According to the statistics prepared by the China Chamber of Commerce of Import and Export Foodstuffs, Native Produce & Animal By-Products (中國食品土畜進出口商會), a non-profit national trade and industry organization, importation of orange juice grew from approximately 37,112 tonnes in 2002 to approximately 74,222 tonnes in 2007 *Note*.

Note: The figure for the quantity of orange juice imported into China is estimated based on the actual quantity of orange juice imported into China from January 2007 to May 2007 of 30,926 tonnes.

We believe that our success to date and potential for future growth can be attributed to a combination of strengths, including the following:

- Well-established and reputable customer base

- One of the leading producers of FCOJ in the large and rapidly growing juice market in China

- Well-established network for raw material procurement and supply chain management

- A vertically integrated processing platform

- Automated production process, proven system of large scale manufacturing and quality control

- Experienced management with a record of delivering growth and profitability

We aim to maximize shareholders' value and pursue a business growth strategy based on the following principal components:

- Continue to focus on the fast-growing juice concentrates market in China and consolidate and further increase our market share;

- Expand production capacities by building new production facilities in strategic locations and further strengthen our raw materials supply base; and

- Expand our products range and client base.

FINANCIAL REVIEW

Our revenue increased from approximately RMB124.38 million for the six months ended 30 June 2007 to approximately RMB126.41 million for the six months ended 30 June 2008 which represented an increase of approximately 1.6%.

For the six months ended 30 June 2008, the profit for the period was approximately RMB26.40 million, represented an increase of approximately 13.0% as compared to the profit for the six months ended 30 June 2007 of approximately RMB23.37 million. The profit attributable to equity shareholders of the Company for the six months ended 30 June 2008 was approximately RMB24.00 million, which has exceeded the profit forecast of RMB21.5 million, as stated in the prospectus of the Company dated 30 June 2008 (the "Prospectus"), by approximately RMB2.50 million.

The sales of FCOJ and its related product increased from RMB78.80 million for the six months ended 30 June 2007 to RMB94.87 million for the six months ended 30 June 2008, representing an increase of 20.4%. The increase was due to the significant increase in the total production output of the production line of Sanming Summi Food Co., Limited ("Sanming Summi") by carrying out certain technological modifications, ancillary equipment enhancement, as well as improved factory layouts in September and October 2007.

The sales of fresh oranges decreased from RMB42.90 million for the six months ended 30 June 2007 to RMB30.70 million for the six months ended 30 June 2008, representing a decrease of 28.4%. The decrease was due to the early sales of fresh oranges in November and December 2007 to take advantage of the higher selling price in November and December 2007.

The sales of others decreased from RMB2.69 million for the six months ended 30 June 2007 to RMB0.84 million for the six months ended 30 June 2008, representing a decrease of 68.8%. The decrease was due to the decrease in sales of concentrated strawberry juice which incurred a gross loss in the first half of 2007.

For the six months ended 30 June 2008, the average selling prices of FCOJ and its related product and fresh oranges were RMB14.63/kg (2007: RMB14.27/kg) and RMB1.80/kg (2007: RMB1.72/kg) respectively.

Our gross profit increased by 23.5% to approximately RMB42.98 million in the first half of 2008. Our gross profit margin increased to approximately 34.0% in the first half of 2008 from approximately 28.0% in the first half of 2007. The increase of gross profit margin was due to the early sales of fresh oranges in November and December 2007 which had decreased the proportion of fresh oranges, which had a negative gross profit margins due to the fresh oranges were sold at less than the fair value as at 31 December 2007, in the total revenue. The gross profit margins, separated by products, for the six months ended 30 June 2007 and for the six months ended 30 June 2008 were as follows:

	Six months ended 30 June 2008	Six months ended 30 June 2007
FCOJ and its related product	**46%**	47%
Fresh oranges	**-2%**	-5%
Others	**47%**	-2%

The increase in gross profit margin of fresh oranges was due to all the fresh oranges were sold in January 2008 which reduced wastages while in the first half of 2007 the fresh oranges were sold until March 2008. The increase in gross profit of others was due to the better gross profit margin of concentrated gooseberry juices sold in the first half of 2008 while in the first half of 2007 the sales were mainly concentrated strawberry juice which had a gross loss.

Our distribution costs increased by 70.5% from approximately RMB1.17 million for the six months ended 30 June 2007 to approximately RMB2.00 million for the six months ended 30 June 2008, mainly due to commencement of operation of Sanming Summi's production line in September 2007.

Our administrative expenses increased by 57.9% from approximately RMB2.20 million for the six months ended 30 June 2007 to approximately RMB3.48 million for the six months ended 30 June 2008, mainly due to commencement of operation of Sanming Summi's production line in September 2007.

Our net finance costs increased by 460.2% from approximately RMB0.32 million for the six months ended 30 June 2007 to approximately RMB1.82 million for the six months ended 30 June 2008, mainly due to interest accrued on shareholder's loan of RMB35 million during the six months period. The shareholder's loan has been waived by the shareholder on 2 June 2008.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity, financial resources and capital structure

As at 30 June 2008, the Group had cash and cash equivalents of approximately RMB142.4 million (31 December 2007: RMB67.8 million) and total borrowings of nil (31 December 2007: RMB52.0 million). The cash and cash equivalents comprised approximately RMB142.3 million, and HK$0.1 million (31 December 2007: RMB55.7 million, and HK$13.6 million) respectively. The Group does not have borrowings as at 30 June 2008 (31 December 2007: RMB52.0 million, at fixed interest rates of 6.50%-8.44%).

As at 30 June 2008, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group was nil (31 December 2007: 0.26), due to the repayment of all bank borrowings and waiver of the shareholder's loan. As at 30 June 2008, the Group had current assets of approximately RMB248.87 million (31 December 2007: RMB238.13 million) and current liabilities of approximately RMB21.65 million (31 December 2007: RMB37.76 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 11.5 as at 30 June 2008, which showed an increase compared with the current ratio of 6.3 as at 31 December 2007. Such increase was due to the repayment of all current portion of loans and borrowings.

The Board's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

Foreign exchange exposure

The Group's sales were made in RMB. Therefore the Group does not expose to significant foreign currency exchange risks and the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group does not employ any financial instruments for hedging purposes.

Capital expenditure

During the period under review, the Group's total capital expenditure amounted to approximately RMB4.4 million, which was used in the acquisition of property, plant and equipment.

Charge on assets

As at 30 June 2008, the Group had no charge on any assets.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 30 June 2008, the Group employed approximately 248 employees (30 June 2007: 252 employees). The Group offered competitive salary package, as well as discretionary bonuses and contribution to social insurance to its employees. A share option scheme has also been adopted for employees of the Group.

PROSPECTS

With the listing of the shares of the Company on the Stock Exchange on 10 July 2008 and the receipt of proceeds, net of listing expenses, of approximately HK$129.5 million from the International Offering of 250,000,000 shares of the Company, the Company has the resources to increase the productivity and to bring value to our shareholders. We currently intend to apply those proceeds in the following ways:

- approximately HK$94.7 million (equivalent to approximately 73.1% of our total net proceeds) for acquiring land use rights, plant construction, purchase and installation of production and processing equipment: We currently plan to use the proceeds to acquire land use rights in the first half of 2009; to spend capital expenditure for the construction of the production plant which is expected to commence in around the second half of 2008 and is expected to complete before June 2009; acquire two sets of production facilities in 2009. Once completed, we expect the production plant to have an annual production capacity of 9,000 tonnes concentrated fruit juice;

- approximately HK$21.1 million (equivalent to approximately 16.3% of our total net proceeds) for expanding of the total area of the orange farms we operate by approximately 10,000 mu: whilst we have not identified any particular orange farms to which the net proceeds will apply, we currently plan to look for suitable lands situated in Chongqing and Hunan Province of the PRC and lease approximately 10,000 mu of orange farms by the end of 2008;

- approximately HK$3.6 million (equivalent to approximately 2.8% of our total net proceeds) for enhancing our marketing activities and expanding and improving the coverage of our sales network: we will participate in marketing activities such as exhibitions, industry conference and promotion in different market media; set up sales representative offices in three top-tier cities in China in 2009; and recruit new sales and marketing staff;

- approximately HK$3.6 million (equivalent to approximately 2.8% of our total net proceeds) for improving the orange planting technology and further developing our technological know-how on production of fruit concentrate products: we will establish a citrus technology centre in collaboration with other institutes for the development of citrus production technique; establish a fruit and vegetable juice processing technology centre to research and develop the fruit and vegetable processing technique; and recruit research and development staff; and

- approximately HK$6.5 million (equivalent to approximately 5.0% of our total net proceeds) as our general working capital.

A non-binding memorandum of understanding was signed between the Group and Kaixian Jinhu Agriculture Development Co., Ltd. ("Kaixian Jinhu") on 21 April 2008 as disclosed in the Prospectus. On 6 August 2008, Chongqing Tianbang Food Co., Ltd. ("Chongqing Tianbang"), a wholly owned subsidiary of the Company, was established by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HK$80,000,000. The principal activities of Chongqing Tianbang are manufacturing and selling of FCOJ and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang has signed a binding contract for a FCOJ project. The total investment is expected to be approximately RMB160 million. Aligning with our business expansion plan as disclosed in the Prospectus, Chongqing Tianbang has entered into agreements to acquire certain juice processing equipment from manufacturers in Switzerland and Brazil, who are independent third parties to the Group, at a total consideration of USD5.5 million to set up a new fruit juice plant located in Kaixian, Chongqing Municipality. The consideration will be settled by the net IPO proceeds in accordance with the "Future

Plans and Use of Proceeds" section in the Prospectus. We expect the new production plant will be in operation in the first half of 2009. We are also in the process of setting up a sales representative office in Shanghai. We shall continue to identify any specific land acquisition or orange farm leasing opportunity.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

The Company was listed on the Stock Exchange on 10 July 2008. No disclosure of interests or short positions of any directors and/or chief executives of the Company in any shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as of 30 June 2008.

As at 10 July 2008 upon the Company's listing, the interests and short positions of the directors and/or chief executives of the Company in any shares, underlying shares and debentures of the Company (taking no account of the shares to be issued pursuant to options which may be granted under the Share Option Scheme (as defined below) or pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus)) and any of its associated corporations (within the meaning of Part XV of the SFO) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Name of Directors	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Hong Hong U ("Mr. Hong")	Interest of controlled corporation *(Note 2)*	570,608,145 (L)	57.06%
	Interest of controlled corporation *(Note 4)*	37,500,000 (S)	3.75%

Name of Directors	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Sin Ke ("Mr. Sin")	Interest of controlled corporation *(Note 3)*	75,000,734 (L)	7.50%
	Interest of controlled corporation *(Note 4)*	4,929,000 (S)	0.49%

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares respectively.

2. Mr. Hong beneficially owned 86.856% of the share capital of Key Wise Group Limited ("Key Wise"), and Key Wise held 570,608,145 Shares. Therefore, Mr. Hong is deemed, or taken to be, interested in 570,608,145 Shares.

3. Mr. Sin is the sole owner of Cheer Sky Limited ("Cheer Sky"), which beneficially owned 13.144% of Key Wise. Therefore, Mr. Sin is deemed, or taken to be, interested in 75,000,734 Shares.

4. On 8 July 2008, Key Wise entered into a stock borrowing agreement (the "Stock Borrowing Agreement") with, inter alia, Evolution Watterson Securities Limited ("Evolution"), pursuant to which, for a certain period, Evolution was entitled to borrow from Key Wise up to 37,500,000 Shares to cover the Over-allotment Option, if exercised. Evolution did not borrow any Shares from Key Wise and accordingly, the Stock Borrowing Agreement lapsed on 2 August 2008. As at the date of this report, both Mr. Hong and Mr. Sin had no short position in the Shares.

2. Long position in the ordinary shares of associated corporation

Name of Directors	Name of the associated corporation	Capacity/ Nature	No. of shares held	Percentage of interest
Mr. Hong	Key Wise	Beneficial owner	86,856	86.86%
Mr. Sin	Key Wise	Interest of controlled corporation	13,144	13.14%

Save as disclosed above, as at 10 July 2008, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The Company was listed on the Stock Exchange on 10 July 2008. No disclosure of interests or short positions in any shares or underlying shares of the Company were made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as of 30 June 2008.

As at 10 July 2008 upon the Company's listing, so far as is known to the directors and taking no account of the Shares to be issued pursuant to options which may be granted under the Share Option Scheme (as defined below) or pursuant to the exercise of the Over-allotment Option (as defined in the Prospectus), the following persons (other than the directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Interests and short position in the Shares

Name of Shareholders	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Key Wise	Beneficial owner	570,608,145 (L)	57.06%
	Beneficial owner *(Note 2)*	37,500,000 (S)	3.75%
Ms. Ng Sao Lang	Family *(Note 3)*	570,608,145 (L)	57.06%
	Family *(Note 2)*	37,500,000 (S)	3.75%
First Trading Limited	Beneficial owner	75,000,000 (L)	7.50%

Name of Shareholders	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Ye Jinxing	Interest of controlled corporation *(Note 4)*	75,000,000 (L)	7.50%
Cheer Sky	Indirect interest *(Note 5)*	75,000,734 (L)	7.50%
	Indirect interest *(Note 2)*	4,929,000 (S)	0.49%
Ms. Hong Manna	Family *(Note 6)*	75,000,734 (L)	7.50%
	Family *(Note 2)*	4,929,000 (S)	0.49%

Notes:

1. The letters "L" and "S" denote a long position and a short position in the Shares respectively.

2. On 8 July 2008, Key Wise entered into the Stock Borrowing Agreement with, inter alia, Evolution, pursuant to which, during a certain period, Evolution was entitled to borrow from Key Wise up to 37,500,000 Shares to cover the Over-allotment Option, if exercised. Evolution did not borrow any Shares from Key Wise and accordingly, the Stock Borrowing Agreement lapsed on 2 August 2008. As at the date of this report, Key Wise had no short position in the Shares.

3. Mr. Hong beneficially owned 86.856% of the share capital of Key Wise, and Key Wise held 570,608,145 Shares. Therefore, Mr. Hong is deemed, or taken to be, interested in 570,608,145 Shares. Ms. Ng Sao Lang is the spouse of Mr. Hong. Therefore, Ms. Ng is deemed, or taken to be, interested in the 570,608,145 Shares which Mr. Hong is interested in for the purposes of the SFO.

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

5. Key Wise is beneficially owned by Cheer Sky as to 13.144% and Cheer Sky is regarded as interested in 13.144% of the 570,608,145 Shares (i.e. 75,000,734 Shares) owned by Key Wise under the SFO.

6. Mr. Sin is the sole owner of Cheer Sky, which beneficially owned 13.144% of Key Wise. Therefore, Mr. Sin is deemed, or taken to be, interested in 75,000,734 Shares under the SFO. Ms. Hong Manna is the spouse of Mr. Sin. Therefore, Ms. Hong is deemed, or taken to be, interested in the 75,000,734 Shares which Mr. Sin is interested in for the purposes of the SFO.

Save as disclosed above, and as at 10 July 2008, the directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, save as disclosed in the Prospectus, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

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

SUBSEQUENT EVENTS

(a) Pursuant to a written resolution of all the shareholders of the Company passed on 7 June 2008, 650,000,000 ordinary shares of HK$0.01 each in the Company were issued at par value on 10 July 2008 to the Company's existing shareholders as at 7 June 2008 by way of capitalisation of HK$6,500,000 from the share premium account.

(b) On 10 July 2008, the Company's shares were listed on the Stock Exchange following the completion of the public offer and placing of 250,000,000 shares as described in the Prospectus.

(c) On 6 August 2008, Chongqing Tianbang, a wholly foreign-owned enterprise was established in the PRC by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HK$80,000,000 (equivalent to RMB 72,928,000). The principal activities of Chongqing Tianbang are manufacturing and selling of concentrated orange juice and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang has signed a contract for a FCOJ project and the total investment is expected to be approximately RMB160 million.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 7 June 2008. Since the Share Option Scheme has become effective upon the Company's listing, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

Since the Company was only listed on the Stock Exchange on 10 July 2008, the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Corporate Governance Code") was not applicable to the Company for the period under review.

However, none of the Directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the date of listing of the Company and the date of this report in due compliance with the code provisions of the Corporate Governance Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in Appendix 10 to the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by the Directors adopted by the Company since the Company's listing.

AUDIT COMMITTEE

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the audited interim financial statements and the interim report of the Group for the six months ended 30 June 2008.

GENERAL INFORMATION

The Group's consolidated financial statements for the six months ended 30 June 2008 have been audited by the Company's auditors, KPMG, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (2007: nil).

By Order of the Board
Tianyi Fruit Holdings Limited
Hong Hong U
Chairman

Quanzhou, Fujian Province, The People's Republic of China
17 September 2008

KPMG

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

We have audited the consolidated financial statements of Tianyi Fruit Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 17 to 84, which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2008 and of the Group's profit and cash flows for the six-month period then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements which states that the comparatives of the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement in respect of the six-month period ended 30 June 2007 and the related notes disclosed in the consolidated financial statements have not been audited and we do not express an audit opinion on these comparative figures.

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

17 September 2008

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000 (audited)	2007 RMB'000 (unaudited)
Revenue	*4*	**126,408**	124,384
Cost of sales		**(83,425)**	(89,574)
Gross profit		**42,983**	34,810
Other income	*5*	**600**	–
Distribution costs		**(1,998)**	(1,172)
Administrative expenses		**(3,476)**	(2,202)
Other expenses		**(197)**	(7)
Profit from operations		**37,912**	31,429
Finance income		**450**	89
Finance expenses		**(2,265)**	(413)
Net finance costs	*8*	**(1,815)**	(324)
Profit before tax		**36,097**	31,105
Income tax	*9*	**(9,699)**	(7,736)
Profit for the period		**26,398**	23,369
Attributable to:			
Equity shareholders of the Company		**23,995**	21,032
Minority interests		**2,403**	2,337
Profit for the period		**26,398**	23,369
Earnings per share (RMB cents)			
– Basic	*12*	**3.20**	2.80
Interim dividend	*13*	**–**	–

The notes on pages 23 to 84 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 June 2008

	Note	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*14*	**30,480**	27,459
Land use rights	*15*	**2,486**	2,521
Rental prepayments	*16*	**6,134**	9,357
		39,100	39,337
Current assets			
Inventories	*17*	**170**	33,060
Biological assets	*18*	**43,408**	5,799
Rental prepayments	*16*	**7,594**	8,971
Trade and other receivables	*19*	**55,264**	122,513
Cash and cash equivalents	*20*	**142,436**	67,783
		248,872	238,126
Total assets		**287,972**	277,463
Current liabilities			
Loans and borrowings	*21(a)*	**–**	17,000
Trade and other payables	*22*	**19,400**	5,627
Income tax payables		**2,250**	15,137
		21,650	37,764
Net current assets		**227,222**	200,362
Total assets less current liabilities		**266,322**	239,699

The notes on pages 23 to 84 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2008

	Note	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Non-current liabilities			
Loans and borrowings	*21(a)*	–	35,000
Deferred tax liabilities	*23(a)*	**180**	2,459
		180	37,459
Total liabilities		**21,830**	75,223
Net assets		**266,142**	202,240
Capital and reserves			
Share capital	*24*	**890**	730
Reserves	*24*	**265,252**	181,240
Total equity attributable to equity shareholders of the Company		**266,142**	181,970
Minority interests	*24*	–	20,270
Total equity		**266,142**	202,240

Approved and authorised for issue by the Board of Directors on 17 September 2008.

Hong Hong U
Chairman

Sin Ke
Chief Executive Officer

The notes on pages 23 to 84 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000 (audited)	2007 RMB'000 (unaudited)
Equity attributable to equity shareholders of the Company:			
Balance at 1 January		**181,970**	119,152
Profit for the period		**23,995**	21,032
Acquisition of minority interests		**23,779**	–
Waiver of an equity shareholder's loan		**36,396**	–
Exchange difference on translation into presentation currency		**2**	–
Balance at 30 June		**266,142**	140,184
Minority interests:			
Balance at 1 January		**20,270**	13,239
Profit for the period		**2,403**	2,337
Capital injection		**1,000**	–
Acquisition of minority interests		**(23,673)**	–
Balance as 30 June		**–**	15,576
Total equity:	*24(a)*	**266,142**	155,760

The notes on pages 23 to 84 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
	Note	**RMB'000**	RMB'000
		(audited)	(unaudited)
Operating activities			
Profit before tax		**36,097**	31,105
Adjustments for:			
Depreciation	*7*	**1,377**	1,088
Amortisation of land use rights	*7*	**35**	35
Loss on disposal of property, plant and equipment	*7*	**0**	3
Write-down of inventories	*17(c)*	**996**	–
Interest income	*8*	**(450)**	(89)
Interest expenses	*8*	**1,516**	410
Operating profit before changes in working capital		**39,571**	32,552
Decrease in inventories		**31,894**	58,470
Increase in biological assets		**(37,609)**	(50,358)
Decrease in rental prepayments		**4,600**	4,600
Decrease in trade and other receivables		**67,249**	8,514
Increase/(decrease) in trade and other payables		**13,775**	(5,372)
Cash generated from operations		**119,480**	48,406
Interest paid		**(120)**	(505)
Income tax paid		**(24,865)**	(23,362)
Net cash generated from operating activities		**94,495**	24,539

The notes on pages 23 to 84 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30 June 2008

	Note	Six months ended 30 June 2008 RMB'000 (audited)	2007 RMB'000 (unaudited)
Investing activities			
Interest received		**450**	89
Acquisition of subsidiaries, net of cash acquired		**106**	–
Payment for purchase of property, plant and equipment		**(4,398)**	(6,093)
Proceeds from disposal of property, plant and equipment		**–**	3
Net cash used in investing activities		**(3,842)**	(6,001)
Financing activities			
Capital injection by minority shareholder		**1,000**	–
Proceeds from loans and borrowings		**–**	16,500
Repayment of loans and borrowings		**(17,000)**	(19,380)
Net cash used in financing activities		**(16,000)**	(2,880)
Net increase in cash and cash equivalents		**74,653**	15,658
Cash and cash equivalents at 1 January		**67,783**	16,451
Cash and cash equivalents at 30 June		**142,436**	32,109

Non-cash transactions:

	Six months ended 30 June 2008 RMB'000 (audited)	2007 RMB'000 (unaudited)
Acquisition of minority interests (note 24(a)(iv))	**23,673**	–
Waiver of an equity shareholder's loan (note 24(a)(v))	**36,396**	–

The notes on pages 23 to 84 form part of these financial statements.

1. *REPORTING ENTITY AND CORPORATE REORGANISATION*

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

Details of the Company's subsidiaries as at 30 June 2008 are as follows:

Name of company	Place and date of establishment/ incorporation	Issued and fully paid up/ registered capital	Attributable equity interest held by the Company		Principal activities
			Direct	Indirect	
Sunshine Vocal Limited ("Sunshine Vocal") (i)	British Virgin Islands ("BVI") 17 July 2007	USD 100,000/ USD 100,000	100%	–	Investment holding
Rich Anges Limited (i)	BVI 10 October 2007	USD 1/ USD 50,000	100%	–	Investment holding
Potel Limited (i)	Hong Kong 3 September 2007	HKD 1/ HKD 10,000	–	100%	Investment holding
Manwell (China) Limited (i)	Hong Kong 22 November 2007	HKD 1/ HKD 10,000	–	100%	Investment holding
Summi (Fujian) Food Co., Limited ("Summi Fujian") (i)	People's Republic of China ("PRC") 15 March 1993	RMB 30,000,000/ RMB 30,000,000	–	100%	Manufacturing and selling of concentrated fruit juice and selling of fresh oranges
Sanming Summi Food Co., Limited ("Sanming Summi") (ii)	PRC 27 September 2007	RMB 2,000,000/ RMB 2,000,000	–	100%	Manufacturing and selling of concentrated fruit juice

1. REPORTING ENTITY AND CORPORATE REORGANISATION (Continued)

(i) Summi Fujian was incorporated in the PRC as a sino-foreign equity joint-venture. From 1 January 2007 to 22 October 2007, 90% equity interest in Summi Fujian was held indirectly by Mr. Hong Hong U through Tak Vang Sap Ip Fat Chin Hong ("Macau Dehong"). On 22 October 2007. Macau Dehong disposed of such 90% equity interest in Summi Fujian to Potel Limited, a wholly owned subsidiary of Sunshine Vocal, which in turn was wholly owned by Mr. Hong Hong U. On the same day, Mr. Hong Hong U transferred 12.153% of his equity interest in Sunshine Vocal to an unrelated BVI investment holding company. Prior to 20 December 2007, the remaining 10% equity interest in Summi Fujian was held by a domestic company in the PRC unrelated to Mr. Hong Hong U and has been presented as minority interests in the financial statements. On 20 December 2007, Quanzhou Yuansen Trading Limited ("Quanzhou Yuansen"), a company controlled by Ms. Xin Liang, the sister of Mr. Sin Ke, a director of Summi Fujian, acquired this 10% equity interest in Summi Fujian at a consideration of RMB 12 million determined by reference to the net asset value of Summi Fujian based on a PRC valuation report issued by Xiamen Junhe Appraisal Consultancy Co., Ltd. (廈門均和評估諮詢有限公司) dated 20 May 2007. On 29 December 2007, Quanzhou Yuansen sold this 10% equity interest at a consideration of RMB 12 million to Manwell (China) Limited, a wholly owned subsidiary of Rich Anges Limited which is wholly controlled by Mr. Sin Ke.

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

(ii) The entity was incorporated in the PRC as a domestic company and has been wholly owned by Summi Fujian since its establishment.

2. BASIS OF PRESENTATION

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

The consolidated income statement, the consolidated statement of changes in equity, and the consolidated cash flow statement set out in these financial statements includes the results of operations of the Group as if the Group had been in existence and remained unchanged throughout the entire periods presented. The consolidated balance sheets of the Group as at 31 December 2007 and 30 June 2008 have been prepared to present the consolidated state of affairs of the Group as at the respective dates as if the Group had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

The comparatives of the consolidated income statement , the consolidated statement of changes in equity, and the consolidated cash flow statement in respect of the six-month period ended 30 June 2007 and the related notes disclosed in the consolidated financial statements have not been audited.

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

(a) *Statement of compliance*

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

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

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

(b) *Basis of measurement*

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

(c) *Use of estimates and judgements*

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

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these financial statements is described in note 28.

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(d) *Basis of consolidation*

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Transactions with minority interests

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

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

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(e) *Foreign currency*

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments

(i) Non-derivative financial instruments

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

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

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

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

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

(ii) Share capital

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(g) *Property, plant and equipment*

(i) Recognition and measurement

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment (Continued)

(iv) Retirement and disposal

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

(v) Construction in progress

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

(h) Land use rights

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

(i) Rental prepayments

Rental prepayments represent prepaid rent for leased orange farms.

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(j) Biological assets

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

Biological assets are stated at fair value less estimated point-of-sale costs from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of market-determined prices and no reliable alternative estimates exist to determine fair value in which case the assets are held at cost less accumulated depreciation and impairment losses (see note 3(l)). Once the fair value becomes reliably measurable, the biological assets are measured at fair value less point-of-sale costs. Where assets are held at fair value, changes in fair value are taken to the consolidated income statement. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

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

(k) Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment

(i) Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

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

(ii) Non-financial assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment (Continued)

(ii) Non-financial assets (Continued)

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

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

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(m) Employee benefits

(i) Short term employee benefits

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

(ii) Defined contribution retirement plans

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

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Revenue

(i) Sales of goods

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

(ii) Government grants

Unconditional government grants in recognition of the Group's contribution to the development of the local agriculture industry are recognised in the consolidated income statement as other income on a receivable basis.

(p) Expenses

(i) Operating lease payments

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

(ii) Finance income and expenses

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

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(q) Income tax

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

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

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

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

(r) Research and development

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Related parties

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

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

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

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

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

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

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

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

(t) Segment reporting

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) New standards and interpretations not yet adopted

At the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2008 and which have not been adopted in preparing the financial statements:

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

3. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

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

Revised IFRS 3, Business combinations	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendment to IAS 27, Consolidated and separate financial statements	1 July 2009
Amendment to IAS 39, Financial instruments: Recognition and measurement – Eligible hedged items	1 July 2009

The directors have confirmed that the above IFRSs and interpretations do not have a significant impact on how the results of operations and financial position for the six months ended 30 June 2008 are prepared and presented. These IFRSs and interpretations may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

4. *SEGMENT REPORTING*

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

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

4. *SEGMENT REPORTING (Continued)*

Business segments

The Group comprises the following main business segments:

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

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

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

Geographical segment

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

4. *SEGMENT REPORTING (Continued)*

(a) *For the six months ended 30 June 2008*

(i) Revenue and expenses

	Six months ended 30 June 2008 (audited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Revenue from external customers	94,872	30,696	840	126,408
Segment results	38,589	(1,014)	364	37,939
Unallocated operating income and expenses				(27)
Profit from operations				37,912
Net finance costs				(1,815)
Income tax				(9,699)
Profit for the period				26,398
Depreciation and land use rights amortisation	(1,176)	(235)	(1)	(1,412)

(ii) Assets and liabilities

	At 30 June 2008 (audited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Segment assets	75,866	47,530	170	123,566
Unallocated assets				164,406
Total assets				287,972
Segment liabilities	(7,744)	(1,644)	(45)	(9,433)
Unallocated liabilities				(12,397)
Total liabilities				(21,830)
Capital expenditure incurred during the period	3,645	752	1	4,398

4. SEGMENT REPORTING (Continued)

(b) For the six months ended 30 June 2007

(i) Revenue and expenses

	Six months ended 30 June 2007 (unaudited)			
	FCOJ and its related product RMB'000	Fresh oranges RMB'000	Others RMB'000	Group RMB'000
Revenue from external customers	78,796	42,896	2,692	124,384
Segment results	34,476	(2,825)	(162)	31,489
Unallocated operating income and expenses				(60)
Profit from operations				31,429
Net finance costs				(324)
Income tax				(7,736)
Profit for the period				23,369
Depreciation and land use rights amortisation	(1,039)	(81)	(3)	(1,123)

(ii) Assets and liabilities

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

5. *OTHER INCOME*

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Government grants	**600**	–

The Group received unconditional discretionary grants amounting to RMB 600,000 for the six months ended 30 June 2008 from various PRC government authorities in recognition of the Group's contribution to the development of the local agriculture industry. These government grants are not recurring in nature and are not only available to the Group. There is no assurance that the Group will receive these government grants in the future.

6. *PERSONNEL EXPENSES*

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Salaries, wages and other benefits	**10,773**	10,488
Contributions to defined contribution plans	**417**	385
	11,190	10,873

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

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD 20,000. Contributions to the scheme vest immediately.

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

7. EXPENSES BY NATURE

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Cost of inventories recognised as expenses	**83,425**	89,574
Depreciation	**1,377**	1,088
Amortisation of land use rights	**35**	35
Amortisation of rental prepayments	**4,600**	4,600
Auditors' remuneration	**91**	53
Loss on disposal of property, plant and equipment	**0**	3
Research and development costs	**80**	112

For the six months ended 30 June 2008 and 2007, cost of inventories includes personnel expenses of RMB 9,405,000 and RMB 9,556,000 respectively. These amounts are also included in the respective expenses disclosed in note 6.

8. NET FINANCE COSTS

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Interest income on bank deposits	**450**	89
Finance income	**450**	89
Interest expenses on loans and borrowings	**(1,516)**	(410)
Bank charges	**(67)**	(3)
Net foreign exchange loss	**(682)**	–
Finance expenses	**(2,265)**	(413)
Net finance costs	**(1,815)**	(324)

9. *INCOME TAX*

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Current tax expense		
Provision for PRC income tax	**11,978**	14,649
Deferred tax expense		
Origination and reversal of temporary differences (note 23(b))	**(2,279)**	(6,913)
	9,699	7,736

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

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

(iii) Pursuant to the Income Tax Law of the PRC For Enterprises with Foreign Investment And Foreign Enterprises (effective as of 1 July 1991), Summi Fujian is entitled to a preferential PRC foreign enterprise income tax rate of 27%. Sanming Summi, established on 27 September 2007 as a PRC domestic company, is subject to the statutory income tax rate of 33%.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which became effective on 1 January 2008. The New Tax Law adopts a uniform tax rate of 25% for all enterprises including the Group's subsidiaries in the PRC. The New Tax Law has been adopted when measuring the Group's deferred taxes with effect from 16 March 2007.

9. *INCOME TAX (Continued)*

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Profit before tax	**36,097**	31,105
Income tax computed by applying the tax rate of 25% to profit before tax (six months ended 30 June 2007: 27%)	**9,024**	8,398
Effect of non-deductible expenses	**414**	185
Effect of differences in tax rates of subsidiaries	**496**	–
Effect on recognition of deferred tax liabilities arising from undistributed retained earnings of PRC subsidiaries (note 23(a))	**180**	–
Others	**(415)**	(847)
Income tax	**9,699**	7,736

10. DIRECTORS' REMUNERATION

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

	Six months ended 30 June 2008 (audited)				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to defined contribution plans RMB'000	Total RMB'000
Executive Directors					
Mr. Hong Hong U	–	–	–	–	–
Mr. Sin Ke	150	48	–	–	198
Mr. San Kwan	–	–	–	–	–
Independent Non-executive Directors					
Mr. Zhuang Xueyuan	–	–	–	–	–
Mr. Zhuang Weidong	–	–	–	–	–
Mr. Tu Zongcai	–	–	–	–	–
Total	150	48	–	–	198

	Six months ended 30 June 2007 (unaudited)				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contribution to defined contribution plans RMB'000	Total RMB'000
Executive Directors					
Mr. Hong Hong U	–	–	–	–	–
Mr. Sin Ke	150	48	–	–	198
Mr. San Kwan	–	–	–	–	–
Total	150	48	–	–	198

10. DIRECTORS' REMUNERATION (Continued)

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	Number of directors	Number of directors
	(audited)	(unaudited)
Nil to RMB 1,000,000	**6**	3

During the six months ended 30 June 2007 and 2008, no amount was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was also no arrangement under which a director waived or agreed to waive any remuneration during the six months ended 30 June 2007 and 2008.

11. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group include one director for each of the six-month periods ended 30 June 2008 and 2007, whose emoluments are disclosed in note 10. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Salaries, allowance and other benefits in kind	**174**	151
Discretionary bonuses	**–**	–
Contribution to defined contribution plans	**18**	22
	192	173

11. FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

	Six months ended 30 June	
	2008	2007
	(audited)	(unaudited)
Nil to RMB 1,000,000	**4**	4

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the six months ended 30 June 2007 and 2008.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the equity shareholders of the Company of RMB 23,995,000 (for the six months ended 30 June 2007: RMB 21,032,000) and 750,000,000 shares of the Company, comprising 100,000,000 shares in issue at 30 June 2008 and 650,000,000 shares issued on 10 July 2008 (note 30(a)), as if all of these shares were outstanding throughout the six months ended 30 June 2007 and 2008, respectively.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2007 and 2008 and therefore, diluted earnings per share are not presented.

13. INTERIM DIVIDEND

The board of directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2008 (for the six months ended 30 June 2007: nil).

14. PROPERTY, PLANT AND EQUIPMENT

(audited)	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2008	8,274	24,665	310	519	4,231	37,999
Additions	–	3,572	17	80	729	4,398
Transfers	4,960	–	–	–	(4,960)	–
Disposals	–	–	–	–	0	0
At 30 June 2008	13,234	28,237	327	599	–	42,397
Accumulated depreciation						
At 1 January 2008	(957)	(9,236)	(165)	(182)	–	(10,540)
Depreciation charge for the period	(292)	(1,042)	(16)	(27)	–	(1,377)
At 30 June 2008	(1,249)	(10,278)	(181)	(209)	–	(11,917)
Net book value						
At 30 June 2008	11,985	17,959	146	390	–	30,480

(audited)	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fittings and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
At 1 January 2007	2,897	23,932	217	463	–	27,509
Additions	–	582	141	128	9,759	10,610
Transfers	5,377	151	–	–	(5,528)	–
Disposals	–	–	(48)	(72)	–	(120)
At 31 December 2007	8,274	24,665	310	519	4,231	37,999
Accumulated depreciation						
At 1 January 2007	(703)	(7,397)	(195)	(211)	–	(8,506)
Depreciation charge for the year	(254)	(1,839)	(15)	(39)	–	(2,147)
Disposals	–	–	45	68	–	113
At 31 December 2007	(957)	(9,236)	(165)	(182)	–	(10,540)
Net book value						
At 31 December 2007	7,317	15,429	145	337	4,231	27,459

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

(i) Certain property, plant and equipment with net book value of RMB 1,068,000 were pledged to banks and local government for loans granted to the Group as at 31 December 2007, as disclosed in note 21.

(ii) The Group has yet to obtain property ownership certificates of certain buildings with an aggregate net book value of RMB 10,136,000 as at 30 June 2008 (31 December 2007: RMB 5,377,000). Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these buildings as at 30 June 2008.

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

15. *LAND USE RIGHTS*

	Six months ended 30 June 2008 RMB'000 (audited)	Year ended 31 December 2007 RMB'000 (audited)
At 1 January	**2,521**	2,591
Less: amortisation	**(35)**	(70)
End of the period/year	**2,486**	2,521

The land use rights as at 31 December 2007 were pledged to banks and local government for loans granted to the Group as disclosed in note 21.

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

16. *RENTAL PREPAYMENTS*

	Six months ended 30 June 2008 RMB'000 (audited)	Year ended 31 December 2007 RMB'000 (audited)
At 1 January	**18,328**	27,529
Less: amortisation	**(4,600)**	(9,201)
End of the period/year	**13,728**	18,328

16. RENTAL PREPAYMENTS (Continued)

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Representing:		
Current portion	**7,594**	8,971
Non-current portion	**6,134**	9,357
	13,728	18,328

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

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

17. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Oranges	**–**	31,745
Frozen concentrated juice	**–**	1,113
Consumables and packing materials	**170**	202
	170	33,060

17. INVENTORIES (Continued)

(b) No provisions were made against inventories as at 30 June 2008 (31 December 2007: RMB 410,000). Except for the above, none of the inventories as at 30 June 2008 and 31 December 2007 was carried at net realisable value.

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Carrying amount of inventories sold	**82,429**	89,574
Write-down of inventories	**996**	–
	83,425	89,574

(d) Production quantities of agricultural produce:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Oranges	**Nil**	Nil

18. *BIOLOGICAL ASSETS*

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

		Six months ended 30 June 2008 RMB'000 (audited)	Year ended 31 December 2007 RMB'000 (audited)
At 1 January		**5,799**	5,777
Increase due to cultivation		**37,609**	80,224
Gain from changes in fair value less estimated point-of-sale costs	*(i)*	**–**	44,001
Harvested oranges transferred to inventories		**–**	(124,203)
End of the period/year	*(ii)*	**43,408**	5,799

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

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

In addition, the directors consider that there is no active market for the immature oranges before harvest as at 30 June 2008. The present value of expected cash flows is not considered a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of pesticide prevention. As such, the directors consider that the fair value of biological assets at 30 June 2008 cannot be measured reliably and no reliable alternative estimates exist to determine fair value. Therefore, biological assets as at 30 June 2008 continue to be stated at cost.

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

19. *TRADE AND OTHER RECEIVABLES*

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Trade receivables	**33,675**	113,784
Prepayments	**9,588**	8,060
Other receivables	**12,001**	669
	55,264	122,513

(a) Ageing analysis

The Group's credit policy is set out in note 25(a). The Group generally grants credit terms of 90 days to its customers. An ageing analysis of the trade receivables as of the balance sheet dates is as follows:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Within three months	**33,375**	113,455
More than three months but within one year	**153**	329
More than one year but within two years	**147**	–
	33,675	113,784

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

19. TRADE AND OTHER RECEIVABLES (Continued)

(b) Trade receivables that are not impaired

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

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Neither past due nor impaired	**33,375**	113,455
Less than three months past due	**152**	5
Three months to one year past due	**1**	324
One year to two years past due	**147**	–
	300	329
	33,675	113,784

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

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

20. CASH AND CASH EQUIVALENTS

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Denominated in RMB	**142,320**	55,658
Denominated in HKD	**116**	12,125
Total cash and cash equivalents	**142,436**	67,783

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

21. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost. Information about the Group's exposure to liquidity and interest rate risk is disclosed in note 25.

(a) Loans and borrowings were repayable as follows:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Within 1 year	–	17,000
After 2 years but within 3 years	–	35,000
	–	52,000
Representing:		
Secured bank loans	–	12,000
Unsecured bank loans	–	5,000
Unsecured equity shareholder's loan (note 24(a)(v))	–	35,000
	–	52,000

The above loans and borrowings were all denominated in RMB.

21. LOANS AND BORROWINGS (Continued)

Interest rates per annum on the loans and borrowings were:

	As at 30 June 2008 (audited)	As at 31 December 2007 (audited)
Secured bank loans	–	8.31%
Unsecured bank loans	–	8.44%
Unsecured equity shareholder's loan	–	6.50%

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

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Property, plant and equipment	–	1,068
Land use rights	–	2,521
	–	3,589

In addition, two directors of the Company, Messrs. Sin Ke and San Kwan, collectively provided personal guarantees in favour of a bank to guarantee the Group's secured bank loans amounting to RMB 17,000,000 as at 31 December 2007. The personal guarantees provided by Messrs. Sin Ke and San Kwan have been fully released subsequent to 31 December 2007.

Unsecured bank loan as at 31 December 2007 was guaranteed by Quanzhou Zhongding Investment & Guaranty Co., Ltd. （泉州市中鼎擔保投資有限公司）*, an unrelated third party. The guarantee has been fully released subsequent to 31 December 2007.

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

22. TRADE AND OTHER PAYABLES

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Trade payables	**4,338**	202
Other payables and accruals	**15,062**	5,425
	19,400	5,627

All of the trade and other payables are expected to be settled within one year.

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

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Not past due	**4,338**	202

(b) As at 30 June 2008 and 31 December 2007, other payables and accruals comprise the following items:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Other tax payables	**2,665**	3,908
Salaries and bonuses payable	**409**	388
Accrued expenses	**8**	613
Other payables	**11,980**	516
	15,062	5,425

23. DEFERRED TAX LIABILITIES

(a) Recognised deferred tax liabilities

Deferred tax liabilities as at 30 June 2008 and 31 December 2007 are attributable to the following:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Fair value gain included in year end inventory	**–**	2,459
Undistributed retained earnings of PRC subsidiaries	**180**	–
	180	2,459

Pursuant to the New Tax Law, 10% withholding tax is levied on foreign investors (5% for foreign investors registered in Hong Kong) in respect of dividend distributions arising from a foreign investment enterprise's profit earned after 1 January 2008. As the Company controls the dividend policy of the Group's PRC subsidiaries, as at 30 June 2008, deferred tax liabilities of RMB 180,000 (31 December 2007: nil) have been recognised in respect of the tax that would be payable on the portion of the retained profits of the Group's PRC subsidiaries which the directors expect to be distributed by them in the foreseeable future. Deferred tax liabilities of RMB 1,542,000 have not been recognised as at 30 June 2008, as the directors consider it probable that a portion of the profits earned by the Group's PRC subsidiaries for the period from 1 January 2008 to 30 June 2008 would not be distributed in the foreseeable future.

23. DEFERRED TAX LIABILITIES (Continued)

(b) Movement in temporary differences are as follows:

	At 1 January 2007 RMB'000	Recognised in consolidated income statement RMB'000 (note 9(a))	At 30 June 2007 RMB'000	Recognised in consolidated income statement RMB'000	At 31 December 2007 RMB'000	**Recognised in consolidated income statement RMB'000 (note 9(a))**	**At 30 June 2008 RMB'000**
Fain value gain included in year end inventory	6,913	(6,913)	–	2,459	2,459	**(2,459)**	**-**
Undistributed retained earnings of PRC subsidiaries	–	–	–	–	–	**180**	**180**
	6,913	(6,913)	–	2,459	2,459	**(2,279)**	**180**

24. SHARE CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the Company (audited)								
	Share capital RMB'000 (note 24(c))	Share premium RMB'000 (note 24(d))	Capital reserve RMB'000 (note 24(e))	Statutory reserves RMB'000 (note 24(f))	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	18,000	–	3,227	1,050	–	96,875	119,152	13,239	132,391
Profit for the year	–	–	–	–	–	62,818	62,818	7,031	69,849
Capital injection (i)	0	–	–	–	–	–	0	–	0
Arising on Reorganisation (ii)	(17,270)	17,270	–		–	–	–	–	–
Appropriation to statutory reserves	–	–	–	8,960	–	(8,960)	–	–	–
At 31 December 2007 and at 1 January 2008	730	17,270	3,227	10,010	–	150,733	181,970	20,270	202,240
Profit for the period	–	–	–	–	–	23,995	23,995	2,403	26,398
Capital injection by a minority shareholder	–	–	–	–	–	–	–	1,000	1,000
Arising on Reorganisation (iii)	71	(71)	–	–	–	–	–	–	–
Acquisition of minority interests (iv)	89	23,332	358	–	–	–	23,779	(23,673)	106
Waiver of an equity shareholder's loan (v)	–	–	36,396	–	–	–	36,396	–	36,396
Appropriation to statutory reserves	–	–	–	4,200	–	(4,200)	–	–	–
Exchange difference on translation into presentation currency	–	–	–	–	2	–	2	–	2
At 30 June 2008	890	40,531	39,981	14,210	2	170,528	266,142	–	266,142

24. SHARE CAPITAL AND RESERVES (Continued)

(a) The Group (Continued)

	Attributable to equity shareholders of the Company (unaudited)								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2007	18,000	–	3,227	1,050	–	96,875	119,152	13,239	132,391
Profit for the period	–	–	–	–	–	21,032	21,032	2,337	23,369
At 30 June 2007	18,000	–	3,227	1,050	–	117,907	140,184	15,576	155,760

(i) On 17 July 2007, Sunshine Vocal was incorporated with limited liability. On 12 October 2007, 1 share of USD 1.00 in Sunshine Vocal, credited as fully paid, was allotted and issued to Mr. Hong Hong U, the Group's ultimate controlling equity shareholder.

(ii) On 22 October 2007, Potel Limited, a wholly owned subsidiary of Sunshine Vocal, acquired 90% equity interest in Summi Fujian at a consideration of RMB 18,000,000, from Macau Dehong, a company wholly owned by Mr. Hong Hong U. On the same day, the amount owing to Macau Dehong of RMB 18,000,000 was settled by the allotment of 99,999 shares of Sunshine Vocal of USD 1.00 each (equivalent to RMB 730,000 in total), credited as fully paid to Mr. Hong Hong U.

(iii) Pursuant to written resolutions of the board of directors of the Company passed on 22 May 2008, the Company acquired the entire equity interest in Sunshine Vocal by issuing 90,000,000 shares of HKD 0.01 each (equivalent to RMB 801,000 in total).

24. SHARE CAPITAL AND RESERVES (Continued)

(a) The Group (Continued)

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

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

Pursuant to a share transfer agreement, on 22 May 2008, the Company acquired the entire share capital of Rich Anges Limited by issuing 10,000,000 shares of HKD 0.01 each (equivalent to RMB 89,000 in total) to Mr. Sin Ke credited as fully paid. Accordingly, the allocation of the profit or loss for the periods attributable to minority interests presented on the face of the consolidated income statement is for the period from 1 January 2007 up to the date of acquisition of the minority interests.

The aggregated carrying amount of Rich Anges Limited and Manwell (China) Limited's net assets in the consolidated financial statements on the date of the acquisition was RMB 106,000.

(v) On 2 June 2008, an equity shareholder's loan of RMB 35,000,000 together with the accrued interest of RMB 1,396,000 were waived by Mr. Hong Hong U and credited to the capital reserve of the Group.

24. SHARE CAPITAL AND RESERVES (Continued)

(b) Authorised and issued share capital of the Company

	The Company	
	Number of shares	**'000**
Authorised:		
Ordinary shares of HKD 0.01 each:		
At 5 February 2008	38,000,000	HKD 380
Increase in authorised share capital	2,962,000,000	HKD 29,620
At 30 June 2008	3,000,000,000	HKD 30,000
Equivalent to:		RMB 26,376
Ordinary shares, issued and fully paid:		
At 5 February 2008	–	–
Arising on Reorganisation (note 24(a)(iii))	90,000,000	RMB 801
Acquisition of minority interests (note 24(a)(iv))	10,000,000	RMB 89
At 30 June 2008	100,000,000	RMB 890

The Company was incorporated in the Cayman Islands on 5 February 2008 with an authorised share capital of 38,000,000 shares of HKD 0.01 each. One share of HKD 0.01 was issued nil paid and allotted to the subscriber to the memorandum and articles of association of the Company and was transferred to Key Wise Group Limited on the same day.

On 22 May 2008, by a written resolution of all the shareholders of the Company, the authorised share capital of the Company was increased from HKD 380,000 to HKD 30,000,000 by the creation of additional 2,962,000,000 shares of HKD 0.01 each, each ranking pari passu with the shares then in issue.

24. SHARE CAPITAL AND RESERVES (Continued)

(c) Share capital

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

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

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

Share capital in the consolidated balance sheet as at 30 June 2008 represented the issued capital of the Company comprising 100,000,000 shares of HKD 0.01 each (equivalent to RMB 890,000 in total).

(d) Share premium

Share premium in the consolidated balance sheet as at 31 December 2007 and 30 June 2008 represented the share premium of Sunshine Vocal and the Company, respectively.

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

24. SHARE CAPITAL AND RESERVES (Continued)

(e) Capital reserve

The capital reserve at 30 June 2008 represented the excess of paid-in capital of Summi Fujian of RMB 3,585,000 and the capital reserve of Sunshine Vocal in connection with the waiver of an equity shareholder's loan and related interest of RMB 36,396,000.

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

(f) Statutory reserves

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

(i) Statutory surplus reserve

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

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

(ii) Discretionary surplus reserve

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

24. *SHARE CAPITAL AND RESERVES (Continued)*

(g) *Distributable reserves*

At 30 June 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB 40,531,000.

(h) *Capital management*

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

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

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

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

25. *FINANCIAL INSTRUMENTS*

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

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

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

25. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

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

(i) Trade and other receivables

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

At the balance sheet dates, the Group has a certain concentration of credit risk. 30% and 62% of the total trade receivables were due from the Group's largest trade debtor and the five largest trade debtors as at 30 June 2008 (31 December 2007: 9% and 34%), respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(ii) Deposits with bank

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

25. *FINANCIAL INSTRUMENTS (Continued)*

(b) Liquidity risk

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

The Group's net current assets amounted to RMB 227,222,000 and RMB 200,362,000 as at 30 June 2008 and 31 December 2007, respectively. The Group recorded a net cash inflow from operating activities of approximately RMB 94,495,000 and RMB 24,539,000 for the six-month periods ended 30 June 2008 and 2007, respectively. For the same periods, the Group had an increase in cash and cash equivalents of RMB 74,653,000 and RMB 15,658,000, respectively.

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

	At 30 June 2008 (audited)				
	Carrying amount RMB'000	Total contracted undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year within 2 years RMB'000	More than 2 years within 3 years RMB'000
Trade and other payables	19,400	(19,400)	(19,400)	–	–

25. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

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

(c) Interest rate risk

The interest rates and maturity information of the Group's loans and borrowings are disclosed in note 21. The Group's policy is to manage its interest rate risk to ensure there are no undue exposures to significant interest rate movements and rates are approximately fixed. The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not use derivative financial instruments to hedge its debt obligations. Therefore, a change in interest rates at the balance sheet date would not affect profit or loss.

Effective interest rates and repricing analysis

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

	At 30 June 2008 (audited)			
	Effective interest rate	**1 year or less RMB'000**	**1 to 2 years RMB'000**	**2 to 3 years RMB'000**
Repricing dates for assets which reprice before maturity				
Cash at bank	**0.72%**	**142,378**	**–**	**–**

25. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

Effective interest rates and repricing analysis (Continued)

	At 31 December 2007 (audited)			
	Effective interest rate	1 year or less RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000
Repricing dates for assets which reprice before maturity				
Cash at bank	0.77%	67,737	–	–
Maturity dates for liabilities which do not reprice before maturity				
Loans and borrowings	7.39%	17,000	–	35,000

(d) Foreign currency risk

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

25. FINANCIAL INSTRUMENTS (Continued)

(e) Business risk

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

The Group has certain concentration risk of sales to its current major customers. The Group's revenue from five largest customers amounted to approximately RMB 73,776,000 and RMB 52,221,000 which accounted for approximately 58% and 42% of the Group's total revenue for the six months ended 30 June 2008 and 2007, respectively. The Group has no long-term contractual arrangement with these customers and there is no assurance that these major customers will continue their business dealings with the Group or that the revenue generated from dealing with these customers will increase or be maintained in the future. In the event that these customers ceased to purchase products from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability would be adversely affected.

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

25. FINANCIAL INSTRUMENTS (Continued)

(f) Fair values

The carrying amounts of significant financial assets and liabilities approximate their respective fair values as at 30 June 2008 and 31 December 2007, respectively. The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

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

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

(ii) Loans and borrowings

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

26. COMMITMENTS

(a) Capital commitments not provided for in the financial statements were as follows:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Authorised and contracted for	**185**	1,002

(b) The total future minimum rental payments under non-cancellable operating leases are payable as follows:

	As at 30 June 2008 RMB'000 (audited)	As at 31 December 2007 RMB'000 (audited)
Within 1 year	**159**	150
After 1 year but within 5 years	**496**	497
	655	647

27. RELATED PARTY TRANSACTIONS

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

(a) Name and relationship with related parties

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

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

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

27. RELATED PARTY TRANSACTIONS (Continued)

(b) Significant non-recurring related party transactions

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

(i) Sales of concentrated orange juice

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Riri (Quanzhou) Drink Co., Ltd.	**–**	3,159

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

(ii) Bank loan guarantee collectively provided by

	As at	As at
	30 June	31 December
	2008	2007
	RMB'000	RMB'000
	(audited)	(audited)
Messrs. Sin Ke and San Kwan	**–**	17,000

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Mr. Hong Hong U	**36,396**	–

27. RELATED PARTY TRANSACTIONS (Continued)

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

(iv) Acquisition of minority interests from

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Mr. Sin Ke	**23,673**	–

(c) Key management personnel remuneration

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
	(audited)	(unaudited)
Short term employee benefits	**731**	533
Contribution to defined contribution plans	**66**	43
	797	576

28. ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Useful lives of property, plant and equipment

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

(b) Net realisable value of inventories

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

(c) Income tax

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

28. *ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)*

(d) *Impairment for bad and doubtful debts*

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

(e) *Fair value of biological assets and agricultural produce*

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

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

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

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

29. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company of the Company as at 30 June 2008 to be Key Wise Group Limited, which is incorporated in the BVI. The entity does not produce financial statements available for public use.

30. NON-ADJUSTING POST-BALANCE SHEET EVENTS

(a) Pursuant to a written resolution of all the shareholders of the Company passed on 7 June 2008, 650,000,000 ordinary shares of HKD 0.01 each in the Company were issued at par value on 10 July 2008 to the Company's existing shareholders as at 7 June 2008 by way of capitalisation of HKD 6,500,000 from the share premium account.

(b) On 10 July 2008, the Company's shares were listed on the Stock Exchange following the completion of the public offer and placing of 250,000,000 shares as described in the prospectus of the Company dated 30 June 2008.

(c) On 6 August 2008, Chongqing Tianbang Food Co., Ltd. ("Chongqing Tianbang"), a wholly foreign-owned enterprise was established in the PRC by Manwell (China) Limited. The registered capital of Chongqing Tianbang is HKD 80,000,000 (equivalent to RMB 72,928,000). The principal activities of Chongqing Tianbang are manufacturing and selling of FCOJ and selling of fresh oranges. On 13 August 2008, Chongqing Tianbang has signed a contract for a FCOJ project and the total investment is expected to be approximately RMB160 million.